

## LONQUIST &amp; CO. LLC

AUSTIN  
HOUSTONPETROLEUM  
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ADVISORSWICHITA  
CALGARY

www.lonquist.com

August 9, 2021

New Mexico Energy, Minerals, and Natural Resources Department  
Oil Conservation Division District IV  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

**Subject: Supplemental Response for Quick Shot SWD #1, Section 6, T22S, R33E, Lea County**

To Whom It May Concern:

Advance Energy Partners Hat Mesa LLC ("AEP") is submitting the following documents in response to the OCD requests dated March 16, 2021, pertaining to this permit application.

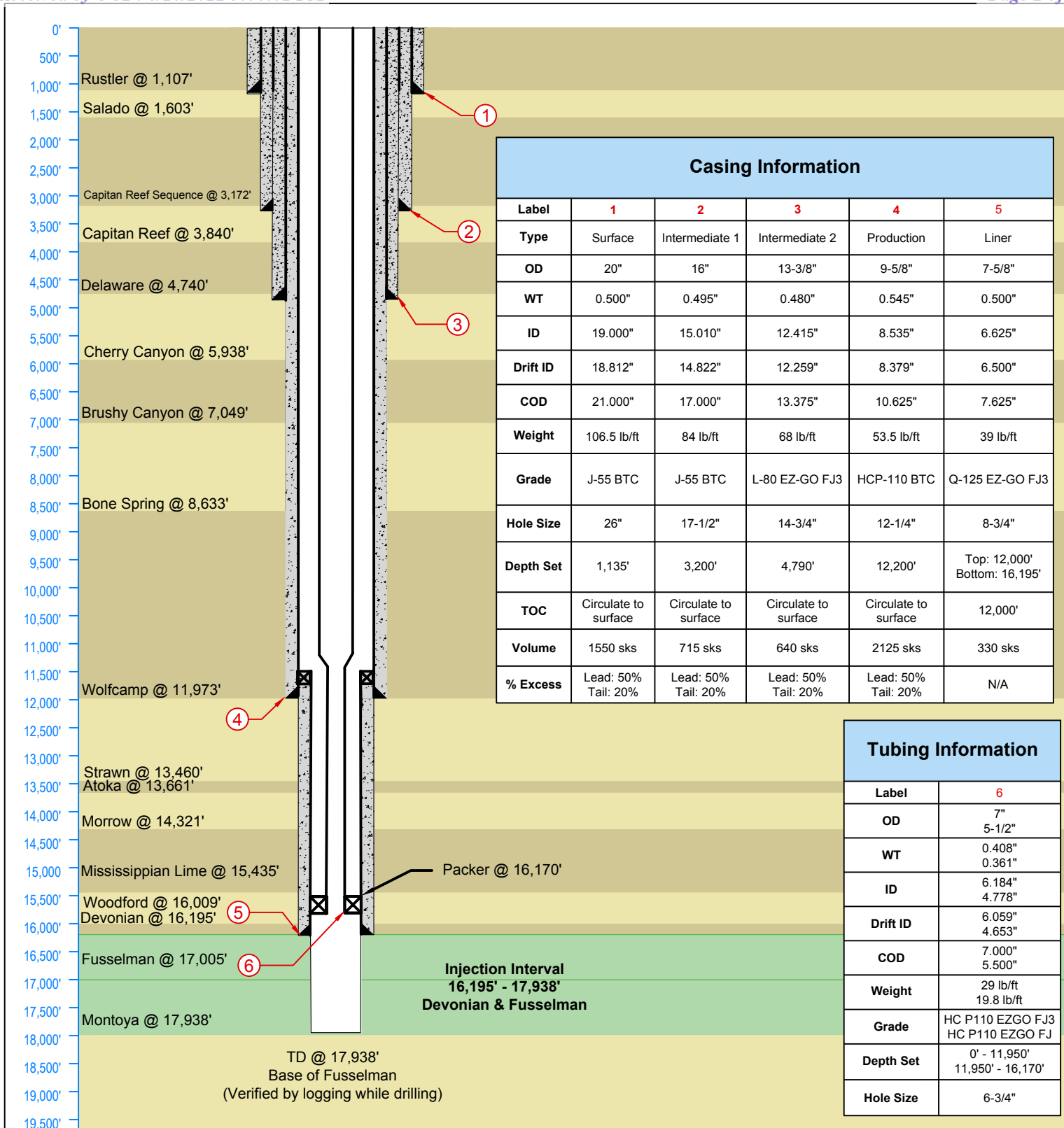
- Updated Wellbore Schematic – This wellbore schematic has been redesigned based on geology analysis performed by Lonquist & Co. LLC that resulted in changes in the geological formation tops. This schematic also addresses concerns discussed in the OCD response of March 16.
  - Revised Capitan Reef depths with casing designed to isolate the formation. Cement volumes are included on the wellbore schematic
  - Cement volumes are designed to fill the casing annulus to surface or to top of the liner and are displayed as such.
  - Packer is planned to be set at 25' above the injection interval
  - AEP is requesting to upgrade the proposed tubing size from 5-1/2"x5" to 7"x5-1/2", per the revised wellbore schematic.
- Cement program to support the revised wellbore design
- Record of Assignment by Devon Energy Production Company, L.P. to Chevron USA. Inc. and subsequent assignment by Chevron USA, Inc. to Advance Energy Partners Hat Mesa LLC of Lease NMNM 096244.
- Produced Water Sample Analysis for the Wolfcamp formation in the area
- C103 for P&A of the Dagger Lake 6 State 2

If you have any questions, please do not hesitate to call or email me.

Regards,



Ramona K. Hovey  
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Lonquist & Co., LLC  
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**LONQUIST****FIELD SERVICE**HOUSTON | CALGARY  
AUSTIN | WICHITA | DENVER

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Advance Energy Partners Hat Mesa LLC

Country: USA

Location:

API No: NA

NMOCD District No: 1

Drawn: TFM

Rev No: 3

**Quick Shot Unit SWD No. 1**

State/Province: New Mexico

Site: 370' FEL &amp; 2667' FNL

Field: Devonian-Silurian (Code: 97869)

Project No: LE161

Reviewed:

Notes:

County/Parish: Lea

Survey: S6-T22S-R33E

Well Type/Status: SWD

Date: 6/22/2021

Approved:

PROPOSAL#: 210625090238-A



## CEMENT PROCEDURE & PROPOSAL

### PREPARED FOR:

Ms. Ramona Hovey

EMAIL: ramona@lonquist.com

PHONE NUMBER: 512-585-0654

## Advance Energy Partners

### Quick Shot Unit SWD #1

Lea County, NM

### Service Point

Odessa

1400 S JBS Parkway Odessa, TX 79766

432-888-0413

### Technical Writer

Kevin Swikert

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713-562-0805

### WTC Representative

Jon Reynolds

jon@wtcementers.com

432-257-1234

#### .Disclaimer Notice:

**The ability of West Texas Cementers to complete this work is subject to the availability of the raw materials required to complete the job.**

This information is presented in good faith, but no warranty is given by and West Texas Cementers LLC assumes no liability for advice or recommendations made concerning results to be obtained from the use of any product or service. The results given are estimates based on calculations produced by a computer model including various assumptions on the well, reservoir and treatment. The results depend on input data provided by the Operator and estimates as to unknown data and can be no more accurate than the model, the assumptions and such input data. The information presented is WTC LLC best estimate of the actual results that may be achieved and should be used for comparison purposes rather than absolute values. The quality of input data, and hence results, may be improved through the use of certain tests and procedures which West Texas Cementers LLC can assist in selecting. The Operator has superior knowledge of the well, the reservoir, the field and conditions affecting them. If the Operator is aware of any conditions whereby a neighboring well or wells might be affected by the treatment proposed herein it is the Operator's responsibility to notify the owner or owners of the well or wells accordingly. Prices quoted are estimates only and are good for 30 days from the date of issue. Actual charges may vary depending upon time, equipment, and material ultimately required to perform these services. Freedom from infringement of patents of West Texas Cementers LLC or others is not to be inferred.

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VERSION: v0.28

Advance Energy Partners  
Quick Shot Unit SWD #1  
Lea County, NM

# Surface



PROPOSAL#: 210625090238-A

WELL INFORMATION						
MUD	8.4# Spud Mud					
OPEN HOLE	26" OH to 1135					
CASING/INJECTION	20" 106.5# J55/BTC to 1135					
MD	1135					
EST BHST/BHCT	90-F / 82-F (0.8-F/100-FT)					
NOTES	Standby charges start after WTC has been on location for more than 4-hrs.					
VOLUMES						
FLUID NAME	LENGTH (ft)	OD (in.)	ID (in.)	XS (%)	FACTOR (bbl/ft)	VOLUME (bbl)
Lead	908	26	20	50%	0.4021	365.1
Tail	227	26	20	20%	0.3217	73.0
SHOE JOINT	40	20	19		0.3507	14.0
FLUIDS						
SPACER						
Fresh Water+Green Dye						
VOLUME	20-bbl					
Lead						
100% Class H+4% Gel+1% CaCl2+0.005GPS NoFoam V1A						
VOLUME	1185-SX					367.2-bbls
DENSITY	13.5-ppg					
YIELD	1.74-cf/sx					
MIX WATER	9.18-gps					
TOP OF CEMENT	Surface					
EXCESS	50%					

Advance Energy Partners  
Quick Shot Unit SWD #1  
Lea County, NM

## Surface



PROPOSAL#: 210625090238-A

Tail		
100% Class H+1% CaCl <sub>2</sub> +1% SMS+0.005GPS NoFoam V1A		
VOLUME	365-SX	87.8-bbls
DENSITY	14.8-ppg	
YIELD	1.35-cf/sx	
MIX WATER	6.39-gps	
TOP OF CEMENT	908-ft	
EXCESS	20%	
DISPLACEMENT		
Displacement		
VOLUME	384-bbl	

Advance Energy Partners  
Quick Shot Unit SWD #1  
Lea County, NM

# 1st Intermediate



PROPOSAL#: 210625090238-A

WELL INFORMATION						
MUD	10# Brine					
PREVIOUS PIPE	20" 106.5# CSG to 1135					
OPEN HOLE	17.5" OH to 3200					
CASING/INJECTION	16" 84# J55/BTC to 3200					
MD	3200					
EST BHST/BHCT	106-F / 95-F (0.8-F/100-FT)					
NOTES	Standby charges start after WTC has been on location for more than 4-hrs.					
VOLUMES						
FLUID NAME	LENGTH (ft)	OD (in.)	ID (in.)	XS (%)	FACTOR (bbl/ft)	VOLUME (bbl)
Lead	1135	19	16		0.1020	115.8
Lead	1425	17.5	16	50%	0.0732	104.3
Tail	640	17.5	16	20%	0.0586	37.5
SHOE JOINT	40	16	15.01		0.2188	8.8
FLUIDS						
SPACER						
Fresh Water+Green Dye						
VOLUME	20-bbl					
Lead						
50% B_Poz+50% Class H+10% Gel+5% SALT+0.5% SMS+0.1% C-20+3PPS Gilsonite+0.25PPS Pol-E-Flake+0.005GPS NoFoam V1A						
VOLUME	495-SX		220.4-bbls			
DENSITY	11.8-ppg					
YIELD	2.5-cf/sx					
MIX WATER	14.19-gps					
TOP OF CEMENT	Surface					
EXCESS	50%					

220.4-bbls

Advance Energy Partners  
Quick Shot Unit SWD #1  
Lea County, NM

1st Intermediate



PROPOSAL#: 210625090238-A

Tail		
100% Class H+0.2% SMS+0.005GPS NoFoam V1A		
VOLUME	220-SX	46.2-bbls
DENSITY	15.6-ppg	
YIELD	1.18-cf/sx	
MIX WATER	5.26-gps	
TOP OF CEMENT	2560-ft	
EXCESS	20%	
DISPLACEMENT		
Displacement		
VOLUME	691.6-bbl	

Advance Energy Partners  
Quick Shot Unit SWD #1  
Lea County, NM

## 2nd Intermediate



PROPOSAL#: 210625090238-A

WELL INFORMATION						
MUD	10# Brine					
PREVIOUS PIPE	16" 84# CSG to 3200					
OPEN HOLE	14.75" OH to 4790					
CASING/INJECTION	13.375" 68# L80/EZ-GO FJ3 to 4790					
MD	4790					
EST BHST/BHCT	119-F / 104-F (0.8-F/100-FT)					
NOTES	Standby charges start after WTC has been on location for more than 4-hrs.					
VOLUMES						
FLUID NAME	LENGTH (ft)	OD (in.)	ID (in.)	XS (%)	FACTOR (bbl/ft)	VOLUME (bbl)
Lead	3200	15.01	13.375		0.0451	144.3
Lead	632	14.75	13.375	50%	0.0563	35.6
Tail	958	14.75	13.375	20%	0.0451	43.2
SHOE JOINT	40	13.375	12.415		0.1497	6.0
FLUIDS						
SPACER						
Fresh Water						
VOLUME	20-bbl					
Lead						
50% B_Poz+50% Class H+10% Gel+5% SALT+0.5% SMS+0.1% C-20+3PPS Gilsonite+0.25PPS Pol-E-Flake+0.005GPS NoFoam V1A						
VOLUME	405-SX					
DENSITY	11.8-ppg					
YIELD	2.5-cf/sx					
MIX WATER	14.19-gps					
TOP OF CEMENT	Surface					
EXCESS	50%					
180.3-bbls						

180.3-bbls



Advance Energy Partners  
Quick Shot Unit SWD #1  
Lea County, NM

## 2nd Intermediate



PROPOSAL#: 210625090238-A

Tail		
100% Class H+0.2% SMS+0.1% C-20+0.005GPS NoFoam V1A		
VOLUME	235-SX	49.8-bbls
DENSITY	15.6-ppg	
YIELD	1.19-cf/sx	
MIX WATER	5.26-gps	
TOP OF CEMENT	3832-ft	
EXCESS	20%	
DISPLACEMENT		
Displacement		
VOLUME	711.2-bbl	

Advance Energy Partners  
Quick Shot Unit SWD #1  
Lea County, NM

# Production



PROPOSAL#: 210625090238-A

WELL INFORMATION						
MUD	9.2# Cut Brine					
PREVIOUS PIPE	13.375" 68# CSG to 4790					
OPEN HOLE	12.25" OH to 12200					
CASING/INJECTION	9.625" 53.5# HCP110/BTC to 12200					
MD	12200					
EST BHST/BHCT	178-F / 141-F (0.8-F/100-FT)					
NOTES	Standby charges start after WTC has been on location for more than 8-hrs. SPACER MIXING ORDER: 1-PPB R-1300; 0.5-PPB SuspendaCem 6302; 2.5-PPB Soda Ash; 10-PPB ZoneSeal					
VOLUMES						
FLUID NAME	LENGTH (ft)	OD (in.)	ID (in.)	XS (%)	FACTOR (bbl/ft)	VOLUME (bbl)
Lead	4790	12.415	9.625		0.0597	286.1
Lead	6835	12.25	9.625	50%	0.0837	571.9
Tail	575	12.25	9.625	20%	0.0669	38.5
SHOE JOINT	40	9.625	8.535		0.0708	2.8
FLUIDS						
SPACER						
Fresh Water+ 2.5PPB Soda Ash +1PPB R-1300+0.5PPB SuspendaCem 6302+10PPB Zone Seal						
VOLUME	40-bbl					
DENSITY	8.34-ppg					
Lead						
50% B_Poz+50% Class H+10% Gel+5% SALT+0.5% SMS+0.65% C-20+3PPS Gilsonite+0.25PPS Pol-E-Flake+0.005GPS NoFoam V1A						
VOLUME	1925-SX					
DENSITY	11.8-ppg					
YIELD	2.51-cf/sx					
MIX WATER	14.2-gps					
TOP OF CEMENT	Surface					
EXCESS	50%					
860.5-bbls						

Advance Energy Partners  
Quick Shot Unit SWD #1  
Lea County, NM

## Production



PROPOSAL#: 210625090238-A

Tail		
100% Class H+0.05% SuspendaCem 6302+0.5% C-20+0.5% C-47B+0.005GPS NoFoam V1A		
VOLUME	200-SX	42.4-bbls
DENSITY	15.6-ppg	
YIELD	1.19-cf/sx	
MIX WATER	5.22-gps	
TOP OF CEMENT	11625-ft	
EXCESS	20%	
DISPLACEMENT		
Displacement		
VOLUME	860.4-bbl	

Advance Energy Partners  
Quick Shot Unit SWD #1  
Lea County, NM

# Drilling Liner



PROPOSAL#: 210625090238-A

WELL INFORMATION						
MUD	12.5# OBM					
PREVIOUS PIPE	9.625" 53.5# CSG to 12200					
OPEN HOLE	8.75" OH to 16195					
CASING/INJECTION	5.5" 20# TBG to 12000; 7.625" 39# Q125/EZ-GO FJ3 to 16195					
MD	16195					
EST BHST/BHCT	210-F / 172-F (0.8-F/100-FT)					
LINER TOP	12000					
NOTES	Standby charges start after WTC has been on location for more than 8-hrs.					
VOLUMES						
FLUID NAME	LENGTH (ft)	OD (in.)	ID (in.)	XS (%)	FACTOR (bbl/ft)	VOLUME (bbl)
Tail	200	8.535	7.625		0.0143	2.9
Tail	3995	8.75	7.625	0%	0.0179	71.5
SHOE JOINT	40	7.625	6.625		0.0426	1.7
FLUIDS						
SPACER						
Wt. Spacer 31.32GPB Water+10PPB PolyScrub 4320+252.23PPB Barite+2GPB HoleScrub 4310+0.5GPB HoleScrub 4305+1PPB R-1300						
VOLUME	40-bbl					
DENSITY	13-ppg					
Tail						
50% B_Poz+50% Class H+2% Gel+5% SALT+0.05% SuspendaCem 6302+0.75% C-20+0.7% C-47B+0.005GPS NoFoam V1A						
VOLUME	330-SX					77-bbls
DENSITY	14.2-ppg					
YIELD	1.31-cf/sx					
MIX WATER	5.91-gps					
TOP OF CEMENT	12000-ft					
EXCESS	0%					
DISPLACEMENT						
Brine						
VOLUME	177.1-bbl					

Advance Energy Partners  
Quick Shot Unit SWD #1  
Lea County, NM

## Drilling Liner

**PROPOSAL#: 210625090238-A**

### DISPLACEMENT

Wt. Displacement Spacer 31.32GPB Water+10PPB PolyScrub 4320+252.23PPB Barite+2GPB HoleScrub 4310+0.5GPB HoleScrub 4305+1PPB R-1300

VOLUME 15-bbl

DENSITY 13-ppg

### DISPLACEMENT

OBM

VOLUME 251.1-bbl

CHEMICAL DESCRIPTIONS		
CHEMICAL NAME	CODE	DESCRIPTION
B_Poz	WTC228	Poz - Fly Ash, Extender
Class H	WTC101	API Cement
Class C	WTC100	API Cement
Ch_Poz	WTC237	Poz - Fly Ash, Extender
ProLite		Blended Based Cement
Plexcrete SFA	WTC129	Cement Strength Enhancer
Gel	WTC102	Extender
Micro Crystal	WTC212	Cement Strength Enhancer
Micro Shell	WTC209	Cement Strength Enhancer
WTC1	WTC250	Extender
Plexcrete STE	WTC127	Cement Strength Enhancer
Gypsum	WTC111	Free Water Control, Extender
CaCl2	WTC112	Accelerator
SMS	WTC115	Free Water Control, Extender
SuspendaCem 6302	WTC005	Free Water Control, Anti-Settling Agent
R-33	WTC243	Lignosulfonate Retarder
R-1300	WTC201	Low Temperature Retarder
C-20	WTC223	Lignosulfonate Retarder
C-37	WTC224	Dispersant, Friction Reducer
C-47B	WTC216	Fluid Loss (polymers/copolymers - 300-F max)
C-17	WTC226	Fluid Loss and Gas Migration Control
FL-2252	WTC007	Fluid Loss for low density slurries.
EC-10	WTC120	Expanding Agent
Gas Bond	WTC126	Gas Migration Control (Hydrogen Generating)
Gilsonite	WTC003	Premium Lost Circulation Material, Free Water Control
Kol-Seal	WTC107	Lost Circulation Material
Pol-E-Flake	WTC106	Lost Circulation Material
Web Seal	WTC133	Premium Fiber Lost Circulation Material
Zone Seal	WTC207	Premium Lost Circulation Material
NoFoam V1A	WTC105	Liquid Defoamer
Water		Fresh Water
PolyScrub 4320	WTC232	Spacer Gelling Agent
Barite	WTC116	Weighting Agent
HoleScrub 4310	WTC234	Surfactant
HoleScrub 4305	WTC213	Surfactant
HoleScrub 4308	WTC215	Surfactant
Soda Ash	WTC164	pH Control
R-1300	WTC201	Low Temperature Retarder
SuspendaCem 6302	WTC005	Free Water Control, Anti-Settling Agent
Sugar	WTC119	Retarder
AI-1, Acid Inhibitor	WTC015	Corrosion Inhibitor
Plexcide 24L	WTC166	Biocide
Corplex	WTC134	Corrosion Inhibitor
Clay Max	WTC096	KCL Substitute
Zone Seal	WTC207	Premium Lost Circulation Material

25/14

LEA COUNTY, NH  
KEITH MANES, COUNTY CLERK  
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BY MYRA SALMON

## ASSIGNMENT

This Assignment ("Assignment") dated as of February 1, 2018 (the "Effective Date") by and between **Devon Energy Production Company, L.P.**, an Oklahoma limited partnership, with an address at 333 West Sheridan Avenue, Oklahoma City, Oklahoma 73102 ("Assignor"), and **Chevron U.S.A. Inc.**, a Pennsylvania corporation, with an address of 1400 Smith Street, Houston, Texas ("Assignee"). Assignor and Assignee may hereinafter be referred to individually as a "Party" or collectively as the "Parties."

## RECITALS

- A. Assignor is the owner of certain oil and gas leases covering lands in Lea and Eddy Counties, New Mexico, further described in Exhibit A-1 – Assigned Premises.
- B. Assignor desires to assign to Assignee all right, title and interest in such leases, insofar as they cover and pertain to the lands and depths described in Exhibit A-1 – Assigned Premises.
- C. In consideration of the mutual promises set out in this Assignment, and other valuable consideration, the receipt and sufficiency of which are acknowledged, Assignor and Assignee agree as follows:

## AGREEMENT

### 1. DEFINITIONS, INTERPRETATION AND EXHIBITS

- 1.1 **Definitions.** As used in this Assignment, these words or expressions have the following meanings:

"Act" means the Federal Arbitration Act, 9 U.S.C. §§ 1-16.

"Affiliate" of a Party means any Person that directly or indirectly controls, is controlled by, or is under common control with, such Party. For purposes of this definition, "control" means ownership of 50% or greater of the voting interest (stock or otherwise) of such entity.

"Assigned Leases" or "Leases" means any of the oil, gas, or mineral leases described in Exhibit A-1 – Assigned Premises.

"Assigned Premises" means the land and depths described in the Assigned Leases and listed on Exhibit A-1 – Assigned Premises and excludes the Excluded Wells.

"Assignee" has the meaning given in the introductory paragraph.

"Assignee Indemnitee(s)" means Assignee, Assignee's Affiliates, and the directors, officers, agents, and employees of all of them.

"Assignor" has the meaning given in the introductory paragraph.

"Assignor Indemnitee(s)" means Assignor, Assignor's Affiliates, and the directors, officers, agents, and employees of all of them.

"Claim" means any claim, liability, loss, demand, damages, Lien, cause of action, obligation, cost, fees, assessments, penalties, fines, judgment, interest, or award (including recoverable legal counsel and expert witness fees and costs of litigation of the Person asserting the Claim), whether arising by Law, contract, tort, voluntary settlement, or otherwise.

"Contracts" means the agreements identified under Contracts on Exhibit A-1 – Assigned Premises.

"Effective Date" has the meaning given in the introductory paragraph to this Assignment.

"Exhibit" means a document referred to in Section 1.3(A).

"Law(s)" means any valid federal, state, tribal, or local law, rule, regulation, or order.

"Lien" means charge, encumbrance or similar right available to creditors at law to secure debts owed to them.

"Party" means Assignor or Assignee and "Parties" means both of them.

"Person" means an individual, corporation, company, state, statutory corporation, government entity, or any other legal entity.

1.2 **Interpretation.** Unless the context expressly requires otherwise, all of the following apply to the interpretation of this Assignment:

- (A) Plural and singular words each include the other.
- (B) Masculine, feminine, and neuter genders each include the others.
- (C) The word "or" is not exclusive.
- (D) The words "includes" and "including" are not limiting, but are terms of enlargement so other items or components are includable although not specifically expressed.
- (E) References to matters "arising" (or that "arise" or "arises") "out of this Assignment" include matters that arise in connection with this Assignment or have a causal connection with or that flow from this Assignment or that would not have arisen or occurred but for the entering into this Assignment or the performance of or failure to perform obligations under this Assignment.
- (F) The headings in this Assignment are included for convenience and do not affect the construction or interpretation of any provision of, or the rights or obligations of a Party under, this Assignment.
- (G) If a conflict exists between any provisions of this Assignment as they apply to Assignee, the provision that imposes the more onerous obligation on Assignee prevails to the extent of the conflict.

1.3 **Exhibits.**

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BY MYRA SALMON



- (A) All of the Exhibits that are attached to the body of this Assignment are an integral part of this Assignment and are incorporated by reference into this Assignment, including:
  - (1) Exhibit A-1 – Assigned Premises
  - (2) Exhibit A-2 – Excluded Wells
- (B) If a conflict exists between the body of this Assignment and the Exhibits, the body of this Assignment prevails to the extent of the conflict.
- (C) If a conflict exists between the Exhibits or within an Exhibit as they apply to Assignee, the provision that imposes the more onerous obligation on Assignee prevails to the extent of the conflict.

## 2. CONVEYANCE

2.1 **Conveyance.** Subject to the conditions, exceptions, reservations, covenants and agreements contained in this Assignment, Assignor does hereby assign, transfer and convey to Assignee the following (collectively, the "Properties"):

- (A) all of Assignor's working interest and operating rights in the Assigned Leases described on Exhibit A-1 – Assigned Premises **INSOFAR AND ONLY INSOFAR** as they cover the Assigned Premises;
- (B) to the extent assignable, all easements, rights-of-way, surface leases, servitudes, permits, licenses, franchises and other estates or similar rights and privileges directly related to and used solely in connection with the Leases, limited to the Assigned Premises;
- (C) all unitization, pooling and/or communitization agreements, declarations and orders, production sales contracts, farmin and farmout agreements, operating agreements, service agreements, other contracts, agreements, and arrangements insofar as such contracts, agreements and arrangements cover and directly relate to the Assigned Leases as to the Assigned Premises;
- (D) to the extent transferable, all books, records, files, muniments of title, reports and similar documents and materials, including, without limitation, lease records, well records, and division order records, well files, title records (including abstracts of title, title opinions and memoranda, and title curative documents related to the Assigned Premises), contracts and contract files, correspondence, that relate solely to the foregoing interests in the possession of, and maintained by Assignor; and
- (E) all approvals, consents, certificates and other authorizations, and other rights granted by any third parties, and all certificates of convenience or necessity, immunities, privileges, grants, and other such rights insofar as such rights directly relate to, or arise from, the interests conveyed hereunder or the ownership or operation thereof.

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- 2.2 **Assumed Burdens.** This Assignment is made and the Assigned Leases are conveyed and accepted subject to the terms of the Assigned Leases and all leases, contracts, burdens, encumbrances, restrictions, reservations, obligations, rules, laws and regulations of record affecting the Assigned Leases. Assignee assumes all duties, obligations and liabilities of every kind and character accruing on or after the Effective Date with respect to the Leases and the ownership, operation or maintenance of the Assigned Leases, limited to the Assigned Premises.
- 2.3 **Federal Form.** Assignor and Assignee will execute a BLM form Transfer of Operating Rights from Assignor to Assignee covering the Federal leases listed on Exhibit A-1 – Assigned Premises. Said transfer instrument will be deemed to contain all of the exceptions, reservations, rights, titles and privileges set forth herein as fully as though the same were set forth in such instrument. The interests conveyed by such separate transfer instrument are the same, and not in addition to, the interests conveyed herein.
- 2.4 **State Form.** Assignor and Assignee will execute a New Mexico State Land Office Assignment of Oil and Gas Lease form from Assignor to Assignee covering the State leases listed on Exhibit A-1 – Assigned Premises. Said transfer instrument will be deemed to contain all of the exceptions, reservations, rights, titles and privileges set forth herein as fully as though the same were set forth in such instrument. The interests conveyed by such separate transfer instrument are the same, and not in addition to, the interests conveyed herein.
- 2.5 **Compliance with Contracts.** Assignee will observe and comply with all covenants, terms, and provisions, express or implied, contained in the Contracts to the extent same are assigned to Assignee. This Assignment is made expressly subject to all Contracts. Assignee, by its execution of this Assignment, adopts, ratifies, and confirms any operating agreement or other Contract in all respects assigned hereunder, and from the Effective Date, agrees to be substituted for the Assignor as a party to such operating agreement or other Contract.
- 2.6 **Expenses and Recording.**
- (A) Except as otherwise specifically provided in this Assignment, all fees, costs and expenses incurred by Assignor or Assignee in negotiating this Assignment or in consummating the transactions contemplated by this Assignment will be paid by the Party incurring the same, including legal and accounting fees, costs and expenses.
- (B) Assignee will be responsible for the filing and recording of this Assignment, conveyances, or other instruments required to convey title to the Assigned Premises to Assignee, and Assignee will bear all required documentary, filing and recording fees and expenses incurred in connection with same. Assignee must furnish to Assignor a certified copy of this Assignment, conveyances or other instruments so recorded.

### 3. EXCLUDED WELLS AND RESERVATIONS

- 3.1 **Excluded Wells.** As reflected on Exhibit A-2, the Excluded Wells are subject to certain Joint Operating Agreements ("Operating Agreements") and are not operated by Assignor. Assignor does hereby except and reserve unto itself all right, title and interest of Assignor

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in and to the wells described in Exhibit A-2 – Excluded Wells (the “Excluded Wells”), along with rights, contracts, agreements, equipment, and personal property to the extent associated with the Excluded Wells, in accordance the terms of the Operating Agreements. All liabilities and responsibilities for the Excluded Wells shall be determined in accordance with the Operating Agreement.

4. REPRESENTATIONS AND WARRANTIES

- 4.1 Assignor does hereby bind itself and its successors and assigns to warrant and forever defend all and singular title to the interests assigned hereby in the Assigned Leases as they cover the Assigned Premises unto Assignee and Assignee's successors and assigns, against every Person whomsoever lawfully claiming or to claim the same or any part thereof, by, through, or under Assignor, but not otherwise. Further, Assignee is specifically assigned, and subrogated to, warranties of title which Assignor may have from its predecessors in interest to the extent applicable with respect to the interests assigned hereby in the Assigned Leases as they cover the Assigned Premises and to the extent Assignor may legally assign such rights and grant such subrogation. Except as set forth herein, this Assignment is made on an “AS IS, WHERE IS” BASIS, “WITH ALL FAULTS,” AND WITHOUT WARRANTIES WHATSOEVER WITH RESPECT TO ANY INTEREST TRANSFERRED, EITHER EXPRESS OR IMPLIED, IT BEING EXPRESSLY AGREED BY ASSIGNOR AND ASSIGNEE THAT ASSIGNOR MAKES NO WARRANTIES OR REPRESENTATIONS WITH RESPECT TO ORIGIN, QUANTITY, QUALITY, CONDITION, MERCHANTABILITY, FITNESS FOR ANY PARTICULAR PURPOSE, SAFETY OF EQUIPMENT, COMPLIANCE WITH GOVERNMENTAL REGULATIONS, TITLE TO PERSONAL PROPERTY, THE QUANTITY, VALUE OR EXISTENCE OF RESERVES OF OIL, GAS OR OTHER MINERALS PRODUCIBLE OR RECOVERABLE FROM THE ASSIGNED PREMISES.
- 4.2 **Commercial Obligations.** Assignor represents and warrants that during the time that Assignor has owned the Assigned Leases, except as expressly specified in Exhibit A, Assignor has not dedicated the Assigned Premises nor the Assigned Leases to a third party for gathering, transportation and/or processing of crude oil or gas produced therefore.
- 4.3 **Royalty Payment Obligations.** Assignor represents and warrants that to the best of its knowledge, all royalties, rentals and other payments due under the Leases have been properly and timely paid.

5. ASSUMED AND RETAINED OBLIGATIONS.

- 5.1 Except as otherwise expressly provided within this Section 5.1, Assignee assumes all duties, obligations, and liabilities insofar and only insofar as they pertain to the interests acquired by Assignee in and to the Properties with respect to the following for the period of time from and after the Effective Date (the “Assumed Obligations”):
- (A) the Assigned Premises or the ownership or operation thereof;
  - (B) the terms of the Contracts;

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- (C) ad valorem, property, production, severance, and other similar taxes or assessments based upon or measured by the ownership of the Assigned Premises or the production therefrom on and after the Effective Date;
  - (D) obligations to restore the surface (including the treating and backfilling of all pits) as nearly as practicable to its original condition or as may otherwise be required by the Contracts or by Law, excluding any obligations that pertain to the Excluded Wells;
  - (E) plugging and abandonment and remediation of all wells drilled on the Assigned Premises on or after the Effective Date;
  - (F) the removal of structures, facilities, foundations, wellheads, tanks, pipelines, flowlines, pumps, compressors, separators, heater treaters, valves, fittings, machinery and other materials and equipment of any nature, placed on the Assigned Premises on or after the Effective Date that do not relate to the Excluded Wells;
  - (G) obligations to remediate or bring the Assigned Premises into compliance with Laws or Contracts (including conducting any remediation activities that may be required on or otherwise in connection with activities on the Assigned Premises) that arise from and after the Effective Date, excluding any obligations that pertain to the Excluded Wells;
  - (H) any other duty, obligation, event, condition, or liability assumed by Assignee under the terms of this Assignment; and
  - (I) all other duties, obligations, and liabilities not expressly retained by Assignor that pertain to the Properties and are attributable to the period of time from and after the Effective Date, excluding any obligations that pertain to the Excluded Wells.
- 5.2 Assignor retains all duties, obligations, and liabilities with respect to the following (the "Retained Obligations"):
- (A) environmental claims relating to the Assigned Premises arising prior to the Effective Date, or that are based upon an event, circumstance, or occurrence that happened prior to the Effective Date;
  - (B) Claims under any Contracts arising prior to the Effective Date, or that are based upon an event, circumstance, or occurrence that happened prior to the Effective Date;
  - (C) ad valorem, property, production, severance, and other similar taxes or assessments based upon or measured by the ownership of the Assigned Premises or the production therefrom prior to the Effective Date;
  - (D) the Assigned Premises or the ownership or operation thereof for the period of time prior to the Effective Date;

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- (E) all other duties, obligations, and liabilities not expressly assumed by Assignee that pertain to the Properties and are attributable to the period of time prior to the Effective Date.
- (F) Assignor's reserved interest in and to the Excluded Wells.

## 6. INDEMNITIES

- 6.1 **ASSIGNEE RELEASE AND INDEMNIFICATION.** Assignee (A) releases and discharges, and (B) must defend, indemnify, and hold harmless, Assignor Indemnitees from and against all Claims as a result of, arising out of, or related to the Assumed Obligations or from Assignee's breach of Assignee's representations, warranties, covenants, or agreements hereunder. All release, defense, and indemnity provisions of this Section apply without regard to the cause or causes of the underlying claim, including (a) the negligence (whether sole, contributory, comparative, concurrent, active, passive, simple, or gross) of Assignor Indemnitees, or any third party, and (b) strict liability, regulatory liability, statutory liability, or liability without fault of Assignor Indemnitees or any third party. If any indemnity provision of this Assignment is judged invalid or unenforceable by a court of competent jurisdiction or by operation of any applicable law, such provision will be deemed omitted to the extent and only to the extent of the invalidity or unenforceability, and the remaining indemnity provisions will remain in full force and effect.
- 6.2 **ASSIGNOR RELEASE AND INDEMNIFICATION.** Assignor (A) releases and discharges, and (B) must defend, indemnify, and hold harmless, Assignee Indemnitees from and against all Claims as a result of, arising out of, or related to the Retained Obligations or from Assignor's breach of Assignor's representations, warranties, covenants, or agreements hereunder. All release, defense, and indemnity provisions of this Section apply without regard to the cause or causes of the underlying claim, including (a) the negligence (whether sole, contributory, comparative, concurrent, active, passive, simple, or gross) of Assignee Indemnitees, or any third party, and (b) strict liability, regulatory liability, statutory liability, or liability without fault of Assignee Indemnitees or any third party. If any indemnity provision of this Assignment is judged invalid or unenforceable by a court of competent jurisdiction or by operation of any applicable law, such provision will be deemed omitted to the extent and only to the extent of the invalidity or unenforceability, and the remaining indemnity provisions will remain in full force and effect.
- 6.3 **Limitation on Classes of Damages.** Assignor and Assignee mutually waive and release to the fullest extent permitted by applicable Law, all of the Claims for indirect, consequential or punitive damages (including Claims for lost profits or loss of production) arising out of this Assignment, except for Claims arising from the obligation of a Party to indemnify the other Party for third-party Claims.
- 6.4 **Defense of Claims.**
  - (A) Whenever Assignee indemnifies Assignor Indemnitees against Claims, Assignee must defend and hold Assignor Indemnitees harmless against those Claims and against all reasonable costs, expenses, and fees of any kind (including reasonable attorneys' fees and expert witness fees) incurred by Assignor Indemnitees in defending those Claims.

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- (B) Whenever Assignor indemnifies Assignee Indemnitees against Claims, Assignor must defend and hold Assignee Indemnitees harmless against those Claims and against all reasonable costs, expenses, and fees of any kind (including reasonable attorneys' fees and expert witness fees) incurred by Assignee Indemnitees in defending those Claims.
- (C) Any costs, expenses, and fees of any kind (including reasonable attorneys' fees and expert witness fees) indemnified by a Party under this Section are in addition to any amounts indemnified under this Assignment that are subject to a maximum liability amount.
- (D) A Person seeking to rely on an indemnity has the right to reasonably object to counsel selected by the indemnifying Party and select alternative counsel at the cost of the indemnifying Party.

**6.5 Waiver of Consumer Rights.**

- (A) Assignee waives its rights under the Texas Deceptive Trade Practices Consumer Protection Act, Section 17.41 *et seq.*, Texas Business & Commerce Code, a Law that gives consumers special rights and protections. After consultation with an attorney of Assignee's own selection, Assignee voluntarily consents to this waiver.
- (B) In order to evidence its ability to grant the above waiver, Assignee represents and warrants to Assignor that Assignee (1) is in the business of seeking or acquiring, by purchase or lease, goods or services for commercial or business use, (2) has knowledge and experience in financial and business matters that enable it to evaluate the merits and risks of the transactions contemplated in this Assignment, and (3) is not in a significantly disparate bargaining position.

**7. GENERAL PROVISIONS**

- 7.1 **Governing Law.** This Agreement is governed by and interpreted under the laws of the State of New Mexico without regard to its choice of law rules, except that the substantive and procedural rules of the International Institute for Conflict Prevention and Resolution 2013 Administered Arbitration Rules govern Disputes as set out in Section 7.2 below.
- 7.2 **Resolution of Disputes.** Assignors and Assignee shall exclusively and finally resolve any dispute between them using direct negotiations, mediation, and then arbitration as set out in this paragraph. If a dispute arising out of this Assignment is not resolved by direct negotiations, any party may initiate mediation by giving notice to the other(s) setting out the disputed issues and the value of the claim. If the Parties fail to resolve the dispute within 60 days from notice of mediation, any Party may initiate binding arbitration by giving notice to the other Party. The place of arbitration must be Houston, Texas. One arbitrator (or 3 arbitrators if the monetary value of the dispute is more than US\$5,000,000 or its currency equivalent, or if there is a dispute whether the monetary value exceeds the US\$5,000,000) will conduct the arbitral proceedings in accordance with the International Institute for Conflict Prevention and Resolution ("CPR") 2013 Administered Arbitration Rules ("CPR Rules"). To the extent of any conflicts between the CPR Rules and the provisions of this Assignment, the provisions of this Assignment prevail. The CPR is the appointing authority. The maximum number of witnesses each Party may call to give

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evidence is 3 witnesses of fact and 1 expert witness. The arbitration award is final and binding. Regardless of which Party prevails, all arbitration fees and costs must be paid equally and each Party shall bear its own attorneys' fees and costs in connection with such arbitration. The Parties waive irrevocably their right to any form of appeal, review, or recourse to any court or other judicial authority under any applicable law, to the extent that such waiver may be validly made. Proceedings to (1) preserve property or seek injunctive relief, or (2) enforce an award under this paragraph, may be brought in any court of competent jurisdiction.

- 7.3 **Property Exchange Agreement.** This Assignment is made subject to that certain Property Exchange Agreement dated effective February 1, 2018, by and between Assignor and Assignee (the "Property Exchange Agreement"); however, third parties may conclusively rely on this Assignment as evidence of title in and to the Properties vesting in Assignee. To the extent the terms of the Property Exchange Agreement are inconsistent with the terms of this Assignment, the terms of this Assignment will prevail. Assignor and Assignee agree (a) to furnish upon request to each other such further information, (b) to execute, acknowledge and deliver to each other such other documents, and (c) to do such other acts and things, all as the other may reasonably request for the purpose of carrying out the intent of this Assignment and/or the Property Exchange Agreement.
- 7.4 **Business Relationship.** Neither this Assignment nor the operations and activities under it create or may be construed to create, any partnership, mining partnership, tax partnership, association, joint venture, or fiduciary relationship of any kind or character between the Parties.
- 7.5 **Binding Nature.** This Assignment and all of its exceptions, terms and conditions are binding upon and shall inure to the benefit of the Parties and each of their heirs, executors, administrators, personal representatives, successors and assigns, and anyone claiming title to the Assigned Premises by, through or under them.
- 7.6 **Prior Agreements.** This Assignment and the Property Exchange Agreement comprise the complete and exclusive agreement between the Parties regarding the subject matter of this Assignment, and supersede all oral and written communications, negotiations, representations or agreements in relation to that subject matter made or entered into before the Effective Date.
- 7.7 **Amendment.** No amendment to this Assignment is effective unless made in writing and signed by authorized representatives of the Parties to this Assignment.
- 7.8 **Counterparts.** This Assignment may be executed in any number of counterparts, each of which shall be considered an original for all purposes and which together will constitute one and the same instrument. For recording purposes, counterpart signature and acknowledgment pages may be combined into one original.
- 7.9 **Severability.** Each provision of this Assignment is severable and if any provision is determined to be invalid, unenforceable or illegal under any existing or future law by a court, arbitrator of competent jurisdiction or by operation of any applicable law, this invalidity, unenforceability or illegality does not impair the operation of or affect those portions of this Assignment that are valid, enforceable and legal.

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- 7.10 **Conflict of Interest.** No director, employee, or agent of either Party may give or receive any commission, fee, rebate, gift, or entertainment of significant cost or value in connection with this Assignment.
- 7.11 **Public Announcements.** Neither of the Parties may make a press release or public communication concerning this Agreement or the transaction herein contemplated without the prior written approval of the other Party, which approval shall not be unreasonably withheld, conditioned, or delayed. The Parties will consult with each other in a timely manner on all press releases required by law.
- 7.12 **Third-Party Rights.** No person or entity who is not a party to this Assignment has any rights under this Assignment or may enforce any provision in this Assignment.
- 7.13 **Notices.**
- (A) All notices required or permitted under this Assignment must be in writing and delivered by certified mail (postage prepaid), by courier service with written verification of receipt, or by hand delivery to the address of the receiving Party set out on the signature page below. Notices are effective when received by the recipient during the recipient's regular business hours. Notices sent by e-mail or facsimile are ineffective.
  - (B) The representatives and contact information of each Party are as set forth on the signature page below. Each Party is responsible for maintaining a current address for Notices, and must promptly notify the other Party of any changes in that address.
  - (C) Each Party may change its representative or contact information by giving notice to the other Party. If a notice is given under this Section 8.13, the replacement representative or contact information which is set out in the notice replaces the representative or contact information as set out on the signature page below.
- 7.14 **Assignment.** This Assignment and the respective rights the Parties hereunder may not be assigned at any time without the prior written consent of the other Party, such consent not to be unreasonably withheld, conditioned, or delayed. Subject to the foregoing, this Assignment shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns.
- 7.15 **Drafting.** Preparation of this Assignment has been a joint effort of the Parties and the resulting Assignment must not be construed more severely against one of the Parties than against the other.

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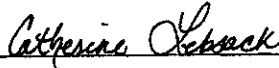


IN WITNESS WHEREOF, this instrument is executed as of the date of the acknowledgment as evidenced by the following signatures of the authorized representatives of the Parties, but effective for all purposes as of the Effective Date.

**ASSIGNOR:**

**DEVON ENERGY PRODUCTION  
COMPANY, L.P**

Signature:

Name: Catherine LebsackTitle: Vice President**ASSIGNEE:**

**CHEVRON U.S.A. INC.**

Signature:

Name: L.W. ParkerTitle: Attorney-in-Fact**ADDRESS FOR NOTICES:**

Devon Energy Production Company, L.P.  
333 West Sheridan Avenue  
Oklahoma City, OK 73102

Attention: Delaware Basin Land Manager

Telephone: 405-253-3611

Facsimile: 405-234-2612

**ADDRESS FOR NOTICES:**

Chevron U.S.A. Inc.  
1400 Smith Street  
Houston, Texas 77002

Attention: Land Manager

Telephone: 432-687-7100

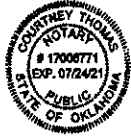
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## ACKNOWLEDGMENTS

STATE OF OKLAHOMA §  
 COUNTY OF OKLAHOMA §

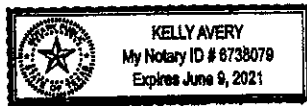
This instrument was acknowledged before me this 9<sup>th</sup> day of April, 2018, by Catherine Lebsack, Vice President for Devon Energy Production Company, L.P., a Oklahoma limited partnership, on behalf of said limited partnership.



Courtney Thomas  
 Notary Public in and for the State of Oklahoma

STATE OF TEXAS §  
 COUNTY OF HARRIS §

This instrument was acknowledged before me this 28 day of March, 2018, by, L.W. Parker, as Attorney-in-Fact of Chevron U.S.A. Inc., a Pennsylvania corporation, on behalf of said corporation.



Kelly Avery  
 Notary Public in and for the State of Texas

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**EXHIBIT A-1 – ASSIGNED PREMISES**

Attached to and made a part of that certain Assignment dated effective February 1, 2018 by and between Devon Energy Production Company, L.P. and Chevron U.S.A. Inc.

**Tract 1****Description of Land:**

Lots 1 & 2, S/2 N/2 and S/2 of Section 4, N/2, NE/4SW/4 and SE/4 Section 8 and all of Section 9, T22S-R33E, Lea County, New Mexico

**Description of Oil and Gas Lease:**

Serial No: NMNM 96244  
Lessor: United States of America  
Lessee: Penwell Energy, Inc.  
Date: March 1, 1996  
Recorded: Book 711, Page 247, Lea County Records

**Contracts:**

Operating Agreement (A.A.P.L. Form 610-1982) dated March 1, 2003, by and between Devon Energy Production, L.P. and Chesapeake Exploration Limited Partnership.

**Tract 2:****Description of Land:**

SW/4 Section 11, T24S-R31E, Eddy County, New Mexico

**Description of Oil and Gas Lease:**

Serial No: NMNM 031963  
Lessor: United States of America  
Lessee: Mona M. Stewart  
Date: January 1, 1958  
Recorded: Book 84, Page 151

**Contracts:**

Operating Agreement (A.A.P.L. Form 610-1982) dated March 1, 1997, by and between Sonat Exploration Company, as Operator, and Santa Fe Energy Resources, Inc., as Non-Operator.

**End of Exhibit A-1**

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**EXHIBIT A-2 – EXCLUDED WELLS**

Attached to and made a part of that certain Assignment dated effective February 1, 2018 by and between Devon Energy Production Company, L.P. and Chevron U.S.A. Inc.

**Tract 1:**

Livestock 9 Federal #2 – API: 30-025-36583

**Operating Agreement:**

Operating Agreement (A.A.P.L. Form 610-1982) dated March 1, 2003, by and between Devon Energy Production, L.P. and Chesapeake Exploration Limited Partnership.

**Tract 2:**

Lotus 11 D Federal #1 – API: 30-015-29440

**Operating Agreement:**

Operating Agreement (A.A.P.L. Form 610-1982) dated March 1, 1997, by and between Sonat Exploration Company, as Operator, and Santa Fe Energy Resources, Inc., as Non-Operator.

**End of Exhibit A-2**

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## ASSIGNMENT

This **ASSIGNMENT** (the "Assignment") is made and entered into on August 1, 2018 and effective as of July 1, 2018 (the "Effective Date") by and between **CHEVRON U.S.A. INC.**, a Pennsylvania corporation, with an address of 1400 Smith Street, Houston, Texas 77002 (the "Assignor"), and **ADVANCE ENERGY PARTNERS HAT MESA, LLC**, a Delaware limited liability company, with an address of 11490 Westheimer Road, Suite 950, Houston, Texas 77077 ("Advance") and **BULLHEAD ENERGY, LLC**, a Texas limited liability company, with an address of P.O. Box 3445, Midland, Texas 79702 ("Bullhead"), as assignees hereunder, in the proportions reflected below (collectively, the "Assignees").

## RECITALS

- A. Assignor owns certain working interests and operating rights interests in those oil and gas leases that are described in the Exhibit A – Assigned Premises that is attached hereto and made apart hereof for all purposes, insofar as such leases cover those lands and depths located in Lea County, New Mexico that are also described on said Exhibit A – Assigned Premises.
- B. Assignor desires to assign to Assignees all of its right, title and interest in such working interests and operating rights in such leases, insofar as they cover and pertain to the lands and depths described in Exhibit A – Assigned Premises.
- C. In consideration of the mutual promises set out in this Assignment, and other valuable consideration, the receipt and sufficiency of which are acknowledged, Assignor and Assignees agree as follows:

## AGREEMENT

### 1. DEFINITIONS, INTERPRETATION AND EXHIBITS

- 1.1 **Definitions.** As used in this Assignment, these words or expressions have the following meanings:

"Affiliate" of a Party means any Person that directly or indirectly controls, is controlled by, or is under common control with, such Party. For purposes of this definition, "control" means ownership of 50% or greater of the voting interest (stock or otherwise) of such entity.

"Asset Taxes" means ad valorem, property, excise, severance, production, sales, use and similar taxes based upon the operation or ownership of the Assigned Premises or the production of hydrocarbons or the receipt of proceeds therefrom, but excluding, for the avoidance of doubt, income taxes and Transfer Taxes.

"Assigned Leases" or "Leases" means those oil and gas or mineral leases described in Exhibit A – Assigned Premises.

"Assigned Premises" means the Assigned Leases, insofar and only insofar as they cover the lands and depths and identified on Exhibit A – Assigned Premises.

"Assignees" has the meaning given in the introductory paragraph.

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“Assignment” has the meaning given in the introductory paragraph.

“Assignor” has the meaning given in the introductory paragraph.

“Assumed Obligations” has the meaning given in Section 5.1.

“Claim” means any claim, liability, loss, demand, damages, Lien, cause of action, obligation, cost, fees, assessments, penalties, fines, judgment, interest, or award (including recoverable legal counsel and expert witness fees and costs of litigation of the Person asserting the Claim), whether arising by Law, contract, tort, voluntary settlement, or otherwise.

“Contracts” means the agreements identified on Exhibit A – Assigned Premises.

“Effective Date” has the meaning given in the introductory paragraph.

“Exhibit” means a document referred to in Section 1.3(A).

“Indemnitee(s)” means Assignor, Assignor’s Affiliates, and the directors, officers, agents, and employees of each of them.

“Laws” means any valid federal, state, tribal, or local law, rule, regulation, or order.

“Lien” means charge, encumbrance or similar right available to creditors at Law to secure debts owed to them.

“Party” means either of the Assignees or Assignor, and “Parties” collectively refers to all of such Assignees and Assignor.

“Person” means an individual, corporation, company, state, statutory corporation, government entity, or any other legal entity.

“Tax Return” means any tax return, declaration, report, claim for refund, or information return or statement relating to taxes, including any schedule or attachment thereto and any amendment thereof.

“Transfer Taxes” is defined in Section 2.4.

1.2 **Interpretation.** Unless the context expressly requires otherwise, all of the following apply to the interpretation of this Assignment:

- (A) Plural and singular words each include the other.
- (B) Masculine, feminine, and neuter genders each include the others.
- (C) The word “or” is not exclusive.
- (D) The words “includes” and “including” are not limiting, but are terms of enlargement so other items or components are includable although not specifically expressed.

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- (E) References to matters “arising” (or that “arise” or “arises”) “out of this Assignment” include matters that arise in connection with this Assignment or have a causal connection with or that flow from this Assignment or that would not have arisen or occurred but for the entering into this Assignment or the performance of or failure to perform obligations under this Assignment.
- (F) The headings in this Assignment are included for convenience and do not affect the construction or interpretation of any provision of, or the rights or obligations of a Party under, this Assignment.
- (G) If a conflict exists between any provisions of this Assignment as they apply to Assignee, the provision that imposes the more onerous obligation on Assignee prevails to the extent of the conflict.

### 1.3 Exhibits.

- (A) Exhibit A – Assigned Premises attached to the body of this Assignment is an integral part of this Assignment and is incorporated by reference into this Assignment.
- (B) If a conflict exists between the body of this Assignment and Exhibit A – Assigned Premises, the body prevails to the extent of the conflict.

## 2. CONVEYANCE

2.1 **Conveyance.** Subject to the conditions, exceptions, reservations, covenants and agreements contained in this Assignment, Assignor does hereby assign, transfer and convey to Assignee, in the percentages of 95% to ADVANCE ENERGY PARTNERS HAT MESA, LLC, and 5% to BULLHEAD ENERGY, LLC to the following:

- (A) all of Assignor’s working interest and operating rights in the Assigned Leases described on Exhibit A – Assigned Premises **INSOFAR AND ONLY INSOFAR** as they cover the Assigned Premises;
- (B) to the extent assignable, all easements, rights-of-way, surface leases, servitudes, permits, licenses, franchises and other estates or similar rights and privileges directly related to and used solely in connection with the Leases, limited to the Assigned Premises;
- (C) all Contracts;
- (D) to the extent transferable, all books, records, files, muniments of title, reports and similar documents and materials, including, without limitation, lease records, well records, and division order records, well files, title records (including abstracts of title, title opinions and memoranda, and title curative documents related to the Assigned Premises), contracts and contract files, correspondence, that relate solely to the foregoing interests in the possession of, and maintained by Assignor; and
- (E) all approvals, consents, certificates and other authorizations, and other rights granted by any third parties, and all certificates of convenience or necessity,



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immunities, privileges, grants, and other such rights insofar as such rights directly relate to, or arise from, the interests conveyed hereunder or the ownership or operation thereof.

- 2.2 **Federal Form.** Assignors and Assignee will execute a BLM form Assignment of Record Title or Transfer of Operating Rights (with the choice of such form to be based upon the type of Assignor's ownership, all of which shall vest in Assignees under the terms of such conveyance) covering any Leases issued by the United States that are listed on Exhibit A – Assigned Premises. Said transfer instrument will be deemed to contain all of the exceptions, reservations, rights, titles and privileges set forth herein as fully as though the same were set forth in such instrument. The interests conveyed by such separate transfer instrument are the same, and not in addition to, the interests conveyed herein.
- 2.3 **Compliance with Contracts.** Assignee will observe and comply with all covenants, terms, and provisions, express or implied, contained in the Contracts to the extent same are assigned to Assignees. This Assignment is made expressly subject to all Contracts.
- 2.4 **Taxes.**
- (A) All ad valorem, property, and other forms of taxes that have been paid by Assignor or that have accrued on or before the Effective Date will be prorated between Assignor and Assignees as of the Effective Date.
  - (B) Assignees will be responsible for all sales, use, recordation and similar taxes arising out of the sale of the Assigned Premises ("Transfer Taxes").
  - (C) Assignees will pay Assignor all state and local sales or use taxes applicable to that portion of the Assigned Premises that is tangible personal property, and Assignor will remit such amount to the appropriate taxing authority in accordance with applicable Law; provided, however, that if either Assignee holds a direct payment permit that is valid on the Effective Date, such Assignee will assume all responsibility for remitting to the appropriate taxing authority the state and local sales and use taxes due, and will provide Assignor with any exemption certificates or other documentation required under applicable Law in lieu of paying Assignor the taxes due.
  - (D) Any legal expenses incurred by Assignor to reduce or avoid any of the foregoing taxes will be paid or reimbursed by Assignees. Should this Assignment constitute an isolated or occasional sale and not be subject to sales or use tax with any of the taxing authorities having jurisdiction, no sales tax will be collected by Assignor from Assignees. Assignor agrees to cooperate with Assignees in demonstrating that the requirements for an isolated or occasional sale or any other sales tax exemption have been met.
- 2.5 **Expenses and Recording.**
- (A) Except as otherwise specifically provided in this Assignment, all fees, costs and expenses incurred by Assignor or Assignees in negotiating this Assignment or in consummating the transactions contemplated by this Assignment will be paid by the Party incurring the same, including legal and accounting fees, costs and expenses.



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- (B) Assignees will be responsible for the filing and recording of this Assignment, conveyances, or other instruments required to convey title to the Assigned Premises to Assignees, and Assignees will bear all required documentary, filing and recording fees and expenses incurred in connection with same. Assignees must furnish to Assignor a certified copy of this Assignment, conveyances or other instruments so recorded.

### 3. REPRESENTATIONS AND WARRANTIES

- 3.1 Notwithstanding anything to the contrary, Assignor does hereby bind itself and its successors and assigns to warrant and forever defend all and singular title to the interests assigned hereby in the Assigned Leases as they cover the Assigned Premises unto Assignees and Assignees' successors and assigns, against every Person whomsoever lawfully claiming or to claim the same or any part thereof, by, through, or under Assignor, but not otherwise. Further, Assignees are specifically assigned, and subrogated to, warranties of title which Assignor may have from its predecessors in interest to the extent applicable with respect to the interests assigned hereby in the Assigned Leases as they cover the Assigned Premises and to the extent Assignor may legally assign such rights and grant such subrogation. Assignor represents and warrants to Assignees that except for matters disclosed in this Agreement, there are no unrecorded contracts, agreements, or encumbrances to which any of Assignees interests covered hereby are subject that burden Assignee's title or would restrict the ability of the owner of such interests to conduct operations and produce, market and sell hydrocarbons with respect to the terms of the Assigned Leases, or reduce the net revenue of lessee under the Assigned Leases.
- 3.2 Except as set forth in this Assignment, this Assignment is made on an "AS IS, WHERE IS" BASIS, "WITH ALL FAULTS," AND WITHOUT WARRANTIES WHATSOEVER WITH RESPECT TO ANY INTEREST TRANSFERRED, EITHER EXPRESS OR IMPLIED, IT BEING EXPRESSLY AGREED BY ASSIGNOR AND ASSIGNEES THAT ASSIGNOR MAKES NO WARRANTIES OR REPRESENTATIONS WITH RESPECT TO ORIGIN, QUANTITY, QUALITY, CONDITION, MERCHANTABILITY, FITNESS FOR ANY PARTICULAR PURPOSE, SAFETY OF EQUIPMENT, COMPLIANCE WITH GOVERNMENTAL REGULATIONS, TITLE TO PERSONAL PROPERTY, THE QUANTITY, VALUE OR EXISTENCE OF RESERVES OF OIL, GAS OR OTHER MINERALS PRODUCIBLE OR RECOVERABLE FROM THE ASSIGNED PREMISES.
- 3.3 **Broker's Fees.** Assignor and Assignees warrant that neither has incurred any liability, contingent or otherwise, for brokers' or finders' fees relating to this Assignment for which the other shall have responsibility.
- 3.4 **Royalty Payment Obligations.** Assignor represents and warrants that to the best of its knowledge, all royalties, rentals and other payments due under the Leases have been properly and timely paid.
- 3.5 **Taxes.** Assignor represents that:

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- (A) all Asset Taxes that have become due and payable have been duly and timely paid in full, and all Tax Returns with respect to the Assigned Premises required to be filed have been duly and timely filed;
- (B) there are no Liens on the Assigned Premises attributable to taxes owed by or assessed against Assignor other than statutory Liens for taxes that are not yet due and payable;
- (C) no audit, litigation or other proceeding with respect to Assignor's Asset Taxes has been commenced or is presently pending, and Assignor has not received written notice of any pending claim against it (which remains outstanding) from any applicable governmental authority for assessment of Assignor's Asset Taxes; and
- (D) none of the Assigned Premises are subject to any tax partnership or is otherwise treated as held in an arrangement requiring a partnership income Tax Return to be filed under Subchapter K of Chapter 1 of Subtitle A of the Code.

#### 4. ASSUMED AND RETAINED OBLIGATIONS.

4.1 Except as otherwise expressly provided within this Section 4.1, Assignee assumes all duties, obligations, and liabilities with respect to the following arising on or after the Effective Date (collectively, the "Assumed Obligations"):

- (A) the Assigned Premises or the ownership or operation thereof;
- (B) the terms of the Contracts including, where applicable being substituted for the Assignor as a party to such Contracts;
- (C) ad valorem, property, production, severance, and other similar taxes or assessments based upon or measured by the ownership of the Assigned Premises or the production therefrom on and after the Effective Date;
- (D) obligations to restore the surface (including the treating and backfilling of all pits) as nearly as practicable to its original condition or as may otherwise be required by the Contracts or by Law;
- (E) plugging and abandonment and remediation of all wells drilled on the Assigned Premises for which such plugging is required on or after the Effective Date;
- (F) the removal of structures, facilities, foundations, wellheads, tanks, pipelines, flowlines, pumps, compressors, separators, heater treaters, valves, fittings, machinery and other materials and equipment of any nature, placed on the Assigned Premises on or after the Effective Date;
- (G) obligations to remediate or bring the Assigned Premises into compliance with Laws or Contracts (including conducting any remediation activities that may be required on or otherwise in connection with activities on the Assigned Premises); and

(H) any other duty, obligation, event, condition, or liability assumed by Assignee under the terms of this Assignment.

4.2 Assignor retains all duties, obligations, and liabilities with respect to the following (the "Retained Obligations"):

- (A) environmental claims relating to the Assigned Premises arising prior to the Effective Date, or that are based upon an event, circumstance, or occurrence that happened prior to the Effective Date;
- (B) Claims under any Contracts arising prior to the Effective Date, or that are based upon an event, circumstance, or occurrence that happened prior to the Effective Date;
- (C) ad valorem, property, production, severance, and other similar taxes or assessments based upon or measured by the ownership of the Assigned Premises or the production therefrom prior to the Effective Date;
- (D) the Assigned Premises or the ownership or operation thereof for the period of time prior to the Effective Date; and
- (E) all other duties, obligations, and liabilities not expressly assumed by Assignee that pertain to the Assigned Premises and are attributable to the period of time prior to the Effective Date.

## 5. RELEASE AND INDEMNIFICATION

5.1 **Release and Indemnification.** Assignees (A) release and discharge, and (B) must defend, indemnify, and hold harmless, Indemnitees from and against all Claims as a result of, arising out of, or related to the Assumed Obligations or from Assignees' breach of Assignees' representations, warranties, covenants, or agreements hereunder.

5.2 **INDEMNITIES APPLY TO INDEMNITEES' NEGLIGENCE. ALL RELEASE, DEFENSE, AND INDEMNITY PROVISIONS OF THIS ASSIGNMENT APPLY WITHOUT REGARD TO THE CAUSE OR CAUSES OF THE UNDERLYING CLAIM, INCLUDING (A) THE NEGLIGENCE (WHETHER SOLE, CONTRIBUTORY, COMPARATIVE, CONCURRENT, ACTIVE, PASSIVE, SIMPLE, OR GROSS) OF INDEMNITEES, ASSIGNEES, OR ANY THIRD PARTY, AND (B) STRICT LIABILITY, REGULATORY LIABILITY, STATUTORY LIABILITY, OR LIABILITY WITHOUT FAULT OF INDEMNITEES OR ANY THIRD PARTY. IF ANY INDEMNITY PROVISION OF THIS ASSIGNMENT IS JUDGED INVALID OR UNENFORCEABLE BY A COURT OF COMPETENT JURISDICTION OR BY OPERATION OF ANY APPLICABLE LAW, SUCH PROVISION WILL BE DEEMED OMITTED TO THE EXTENT AND ONLY TO THE EXTENT OF THE INVALIDITY OR UNENFORCEABILITY, AND THE REMAINING INDEMNITY PROVISIONS WILL REMAIN IN FULL FORCE AND EFFECT.**

5.3 **Limitation on Classes of Damages.** Assignor and Assignees mutually waive and release to the fullest extent permitted by applicable Law, all of the following Claims for damages

arising out of this Assignment, except for Claims arising from the obligation of a Party to indemnify the other Party for third-party Claims:

- (A) Indirect or consequential loss, including:
  - (1) Loss of production, including production of petroleum or petroleum products.
  - (2) Loss of prospective economic advantage or benefit.
  - (3) Loss of business opportunity.
- (B) Punitive or exemplary damages.

#### 5.4 Defense of Claims.

- (A) Whenever Assignees indemnify Indemnitees against Claims, Assignees must defend and hold Indemnitees harmless against those Claims and against all reasonable costs, expenses, and fees of any kind (including attorneys' fees and expert witness fees) incurred by Indemnitees in defending those Claims.
- (B) Any costs, expenses, and fees of any kind (including attorneys' fees and expert witness fees) indemnified by Assignees under this Section are in addition to any amounts indemnified under this Assignment that are subject to a maximum liability amount.
- (C) A Person seeking to rely on an indemnity has the right to reasonably object to counsel selected by the indemnifying Party and select alternative counsel at the cost of the indemnifying Party.

#### 5.5 Waiver of Consumer Rights.

- (A) In order to evidence its ability to grant the above waiver, Assignees represent and warrant to Assignor that Assignees (1) are in the business of seeking or acquiring, by purchase or lease, goods or services for commercial or business use, (2) have knowledge and experience in financial and business matters that enable them to evaluate the merits and risks of the transactions contemplated in this Assignment, and (3) are not in a significantly disparate bargaining position.

### 6. GENERAL PROVISIONS

- 6.1 **Conflict of Interest.** No director, employee, or agent of either Party will give or receive any commission, fee, rebate, gift, or entertainment of significant cost or value in connection with this Assignment. During the term of this Assignment and for two years after termination of this Assignment, any representatives authorized by either Party may audit the applicable records of the other Party solely for the purpose of determining whether there has been compliance with this provision. The provisions of this Section will survive termination of this Assignment.
- 6.2 **Governing Law.** This Assignment is governed by and interpreted under the Laws of the State of New Mexico, without regard to its choice of Law rules.

- 6.3 **Resolution of Disputes.** Assignor and Assignees shall exclusively and finally resolve any dispute between them using direct negotiations, mediation, and then arbitration as set out in this paragraph. If a dispute arising out of this Assignment is not resolved by direct negotiations, any Party may initiate mediation by giving notice to the other(s) setting out the disputed issues and the value of the claim. If the Parties fail to resolve the dispute within 60 days from notice of mediation, any Party may initiate binding arbitration by giving notice to the other Party. The place of arbitration must be Houston, Texas. One arbitrator (or 3 arbitrators if the monetary value of the dispute is more than US\$5,000,000 or its currency equivalent, or if there is a dispute whether the monetary value exceeds the US\$5,000,000) will conduct the arbitral proceedings in accordance with the International Institute for Conflict Prevention and Resolution ("CPR") 2013 Administered Arbitration Rules ("CPR Rules"). To the extent of any conflicts between the CPR Rules and the provisions of this Assignment, the provisions of this Assignment prevail. The CPR is the appointing authority. The maximum number of witnesses each Party may call to give evidence is 3 witnesses of fact and 1 expert witness. The arbitration award is final and binding. Regardless of which Party prevails, all arbitration fees and costs must be paid equally and each Party shall bear its own attorneys' fees and costs in connection with such arbitration. The Parties waive irrevocably their right to any form of appeal, review, or recourse to any court or other judicial authority under any applicable law, to the extent that such waiver may be validly made. Proceedings to (1) preserve property or seek injunctive relief, or (2) enforce an award under this paragraph, may be brought in any court of competent jurisdiction.
- 6.4 **Property Exchange Agreement.** This Assignment is made subject to that certain Property Exchange Agreement effective July 1, 2018, by and between Assignor and Assignees (the "Property Exchange Agreement"); however, third parties may conclusively rely on this Assignment as evidence of title in and to the Assigned Premises vesting in Assignees. To the extent the terms of the Property Exchange Agreement are inconsistent with the terms of this Assignment, the terms of this Assignment will prevail. Assignor and Assignees agree (a) to furnish upon request to each other such further information, (b) to execute, acknowledge and deliver to each other such other documents, and (c) to do such other acts and things, all as the other may reasonably request for the purpose of carrying out the intent of this Assignment and/or the Property Exchange Agreement.
- 6.5 **Notices.** All notices required or permitted under this Assignment must be in writing and delivered by certified mail (postage prepaid), by courier service with written verification of receipt, or by hand delivery to the address of the receiving Party set forth on the first page of this Assignment. Notices are effective when received by the recipient during the recipient's regular business hours. Notices sent by e-mail or facsimile are ineffective.
- 6.6 **Public Announcements.** Except as otherwise expressly required by Law, a Party may not issue any public announcement or statement concerning this Assignment without obtaining the other Party's prior written consent.
- 6.7 **Third-Party Rights.** Except as otherwise expressly stated herein, no Person who is not a party to this Assignment has any rights under this Assignment or may enforce any provision of this Assignment.
- 6.8 **Assignment.** The rights of either Party may be assigned in whole or in part. The terms of this Assignment will be binding upon and inure to the benefit of the Parties and their



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heirs, successors, and assigns. The obligations and responsibilities of Assignee to Assignor under this Assignment will run with the Assigned Premises. Assignees must cause all subsequent assignees of the Assigned Premises to expressly acknowledge and agree to be bound by all of Assignees' obligations to Assignor under this Assignment, so that all such assignees will likewise be bound to Assignor for performance of Assignees' obligations under this Assignment. Any future assignments of the Assigned Premises will not in any way diminish, compromise, extinguish, or effect a release of Assignor's rights against Assignees, their successors, or assigns, or the obligations of Assignees, their successors, or assigns, to Assignor.

- 6.9 **Prior Agreements.** This Assignment comprises the complete and exclusive agreement between the Parties regarding the subject matter of this Assignment, and supersedes all oral and written communications, negotiations, representations, or agreements in relation to that subject matter made or entered into before the Effective Date.
- 6.10 **Amendment.** No amendment to this Assignment is effective unless made in writing and signed by authorized representatives of all Parties.
- 6.11 **Waiver.** Assignor's failure to pursue remedies for breach of this Assignment, or payment by Assignor of invoices, does not constitute a waiver by Assignor of any breach of this Assignment by Assignees or raise any defense against Claims against Assignee for breach of this Assignment. The waiver or failure to require the performance of any covenant or obligation contained in this Assignment or pursue remedies for breach of this Assignment does not waive a later breach of that covenant or obligation.
- 6.12 **Severability.** Each provision of this Assignment is severable and if any provision is determined to be invalid, unenforceable, or illegal under any existing or future Law by a court, arbitrator of competent jurisdiction, or by operation of any applicable Law, this invalidity, unenforceability, or illegality does not impair the operation of or affect those portions of this Assignment that are valid, enforceable, and legal unless the deletion of that provision or provisions would so materially change the Assignment that completion of the transactions contemplated in it would be unreasonable.
- 6.13 **Counterparts.** This Assignment may be executed in any number of counterparts, each of which will be deemed an original of this Assignment, and which together will constitute one and the same instrument; provided that neither Party will be bound to this Assignment unless and until both Parties have executed a counterpart.
- 6.14 **Topical Headings.** The topical headings used in this Assignment are for convenience only and will not be construed as having any substantive significance or as indicating that all of the provisions of this Assignment relating to any topic are to be found in any particular Section.
- 6.15 **Survival.** Despite termination of this Assignment for any reason, all provisions in this Assignment containing representations, warranties, releases and indemnities, and all provisions relating to audit, confidentiality, disclaimer of certain remedies, limitations of liability, retention and inspection of records, and governing Law, and all causes of action that arose prior to completion or termination, survive indefinitely until, by their respective terms, they are no longer operative or are otherwise limited by an applicable statute of limitations.

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- 6.16 **Authorized Representatives.** Each Party represents and warrants that the Assignment has been duly executed and delivered by its authorized officer or other representative and constitutes its legal, valid, and binding obligation enforceable in accordance with its terms, and no consent or approval of any other Person is required in connection with its execution, delivery, and performance of the Assignment.
- 6.17 **Further Assurances.** The Parties must at their own cost and expense execute and deliver such further documents and instruments and must take such other actions as may be reasonably required or appropriate to evidence or carry out the intent and purposes of this Assignment or to show the ability to carry out the intent and purposes of this Assignment. The provisions of this Section will survive termination of this Assignment.
- 6.18 **Drafting.** Preparation of this Assignment has been a joint effort of the Parties and the resulting Assignment must not be construed more severely against one of the Parties than against the other.

**The remainder of this page intentionally left blank.**

IN WITNESS WHEREOF, this instrument is executed as of the date of the acknowledgment as evidenced by the following signatures of the authorized representatives of the Parties, but effective for all purposes as of the Effective Date.

**ASSIGNOR:**

**ASSIGNEE:**

**CHEVRON U.S.A. INC.**

**ADVANCE ENERGY PARTNERS HAT  
MESA, LLC**

**Signature:**



**Signature:**

**Name:** Robert Nunnaker

**Name:** David A. Scott

**Title:** Attorney-in-Fact

**Title:** Vice President – Land and Legal

**BULLHEAD ENERGY, LLC**

**Signature:**

**Name:** Anthony Bouselli

**Title:** Attorney-in-Fact



IN WITNESS WHEREOF, this instrument is executed as of the date of the acknowledgment as evidenced by the following signatures of the authorized representatives of the Parties, but effective for all purposes as of the Effective Date.

**ASSIGNOR:**

**CHEVRON U.S.A. INC.**

**Signature:**

**Name:** \_\_\_\_\_

**Title:** Attorney-in-Fact

**ASSIGNEE:**

**ADVANCE ENERGY PARTNERS HAT  
MESA, LLC**

**Signature:**

**Name:** David A. Scott *PB*

**Title:** Vice President – Land and Legal

**BULLHEAD ENERGY, LLC**

**Signature:**

**Name:** Anthony Bouselli

**Title:** Attorney-in-Fact

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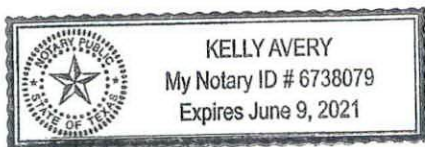
## ACKNOWLEDGMENTS

STATE OF TEXAS §

§

COUNTY OF HARRIS §

This instrument was acknowledged before me this 31<sup>st</sup> day of July, 2018, by, Robert Nunnally, as Attorney-in-Fact of Chevron U.S.A. Inc., a Pennsylvania corporation, on behalf of said corporation.



[Signature]  
 Notary Public in and for the State of Texas

STATE OF TEXAS §

§

COUNTY OF HARRIS §

This instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2018, by, David A. Scott, as Vice President – Land and Legal of Advance Energy Partners Hat Mesa, LLC, a Delaware limited liability company, on behalf of said limited liability company.

\_\_\_\_\_  
 Notary Public in and for the State of Texas

STATE OF TEXAS §

§

COUNTY OF MIDLAND §

This instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2018, by, Anthony Bouselli, as Attorney-in-Fact of Bullhead Energy, LLC, a Delaware limited liability company, on behalf of said limited liability company.

\_\_\_\_\_  
 Notary Public in and for the State of Texas

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## ACKNOWLEDGMENTS

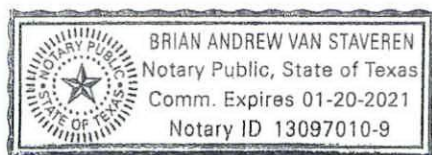
STATE OF TEXAS                   §  
   §  
 COUNTY OF HARRIS           §

This instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2018, by, \_\_\_\_\_, as Attorney-in-Fact of Chevron U.S.A. Inc., a Pennsylvania corporation, on behalf of said corporation.

\_\_\_\_\_  
 Notary Public in and for the State of Texas

STATE OF TEXAS                   §  
   §  
 COUNTY OF HARRIS           §

This instrument was acknowledged before me this 31st day of July, 2018, by, David A. Scott, as Vice President – Land and Legal of Advance Energy Partners Hat Mesa, LLC, a Delaware limited liability company, on behalf of said limited liability company.



B. Scott  
 Notary Public in and for the State of Texas

STATE OF TEXAS                   §  
   §  
 COUNTY OF MIDLAND       §

This instrument was acknowledged before me this 25th day of July, 2018, by, Anthony Bouselli, as Attorney-in-Fact of Bullhead Energy, LLC, a Delaware limited liability company, on behalf of said limited liability company.



Kathleen Dory  
 Notary Public in and for the State of Texas

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## EXHIBIT A – ASSIGNED PREMISES

Attached to and made a part of that certain Assignment effective July 1, 2018 by and between Chevron U.S.A. Inc., as Assignor, and Advance Energy Partners Hat Mesa, LLC and Bullhead Energy, LLC, as Assignee.

The Oil and Gas Leases and Lands described below are hereby assigned to Assignee in the following percentages:

**ADVANCE ENERGY PARTNERS, HAT MESA LLC: 95%**  
**BULLHEAD ENERGY, LLC: 5%**

### Tract 1

#### **Description of Land:**

N/2, NE/4 SW/4 and SE/4 of Section 8, Township 22 South, Range 33 East, N.M.P.M., Lea County, New Mexico

#### **Description of Oil and Gas Lease:**

Serial No: NMNM 96244  
Lessor: Bureau of Land Management  
Lessee: Penwell Energy Inc.  
Date: March 1, 1996  
Recorded: Book 711, Page 247, Entry No. 88351, Lea County Records

*Working Interest: 100% of Assignor's interest*

**Contracts: None.**

### Tract 2

#### **Description of Land:**

W/2 SW/4 and SE/4 SW/4 of Section 8, Township 22 South, Range 33 East, N.M.P.M., Lea County, New Mexico

#### **Description of Oil and Gas Lease:**

Serial No: NMNM 24683  
Lessor: Bureau of Land Management  
Lessee: Raymond Chorney  
Date: April 1, 1975  
Recorded: Unrecorded

*Working Interest: 100% of Assignor's interest*

**Contracts: None.**

**END OF EXHIBIT A**



Submit One Copy To Appropriate District Office  
 District I  
 1625 N. French Dr., Hobbs, NM 88240  
 District II  
 811 S. First St., Artesia, NM 88210  
 District III  
 1000 Rio Brazos Rd., Aztec, NM 87410  
 District IV  
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
 Energy, Minerals and Natural Resources

OIL CONSERVATION DIVISION  
 1220 South St. Francis Dr.  
 Santa Fe, NM 87505

Form C-103

Revised November 3, 2011

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)		WELL API NO. 30-025-27573
1. Type of Well: <input type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other		5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
2. Name of Operator Advance Energy Partners Hat Mesa, LLC.		6. State Oil & Gas Lease No. NM-1248
3. Address of Operator 11490 Westheimer RD, Ste 950 Houston, TX 77077		7. Lease Name or Unit Agreement Name Dagger Lake 6 State
4. Well Location Unit Letter <u>G</u> : 1980 feet from the <u>West</u> line and 1980 feet from the <u>East</u> line Section <u>6</u> Township <u>22S</u> Range <u>33</u> NMPM <u>Lea</u> County		8. Well Number <u>2</u>
11. Elevation (Show whether DR, RKB, RT, GR, etc.)		9. OGRID Number
12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data		10. Pool name or Wildcat Dagger Lake Delaware

HOBBS OCD

MAR 19 2020

RECEIVED

## NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☒  
 TEMPORARILY ABANDON ☐ CHANGE PLANS ☐  
 PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐  
 OTHER: ☐

## SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐  
 COMMENCE DRILLING OPNS. ☐ P AND A ☐  
 CASING/CEMENT JOB ☐  
☒ Location is ready for OCD inspection after P&A

1. SET CIBP @ 9,070' - CIRC. WELL W/ MLF, SPOT 25 SX H CMT FROM 9,070' - 8,970'
2. SPOT 45 SX H CMT @ 8,790' - 8,690'
3. PERF @ 4,765' - SQZ 80 SX CMT FROM 4,765' - 4,665' WOC & TAG
4. PERF @ 1,000' - SQZ 195 SX CMT FROM 1,000' - 557' WOC & TAG
5. PERF @ 60' - SQZ 195 SX CMT 60' TO SURFACE (VERIFY)

150 CIR 150

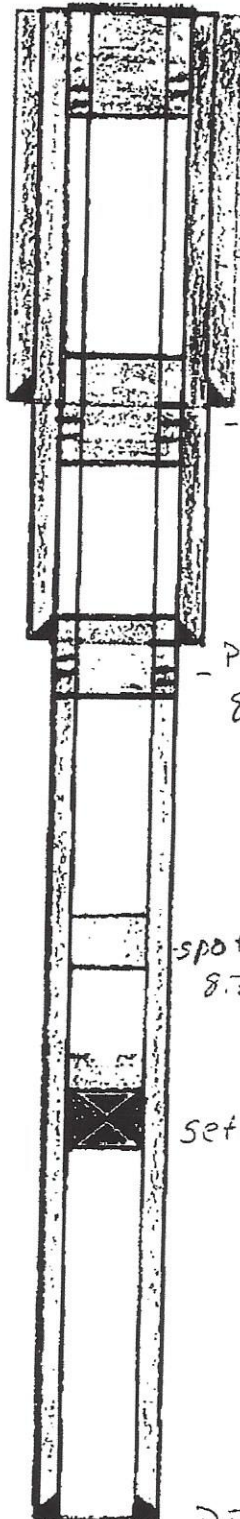
See Attached  
 Conditions of Approval

SIGNATURE [Signature] TITLE Operations Supervisor DATE 3-5-20  
 TYPE OR PRINT NAME Johnny Rodriguez E-MAIL: jrodriguez@brigade.energy PHONE: (482) 248-2019  
 For State Use Only  
 APPROVED BY: Kerry Forth TITLE CO A DATE 3-25-20  
 Conditions of Approval (if any):

WELL NAME Dagger Lake "6" State #2LOCATION Unit G, 1980' FWL, 1980' FEL  
Sec. 6, T-22-S, R-33-E LGL 3,659' KB 3,680'API # 30 - 025 - 27573**BRIGADE**

## CASING PROGRAM

16"	607'
10-3/4"-51#	4,715'
7-5/8"-33.7#	12,130'
5"	11,834'
7-5/8"	PBTD 11,760'



Perf @ 40' 592-405x  
cmt 50' - 501.5' ...  
Ver. P.

Perf @ 1,000' 592 1055x cmt 20m 1,000' - 557' - Tag

Perf @ 4,765' 592  
805x from 4,765' -  
4,665' - Tag

spot 455x - H.cmt @  
8,770' - 8,570'

set CIBP @ 9,070 w/ 255x - H.cmt

PBTD - 11,760'

TOPS

9,170 - 11,551'

C.R. @ 11,145'



Appropriate District Office

State of New Mexico  
Department of Energy, Minerals and Natural ResourcesForm C-104  
Revised 1-1-89  
See Instructions

DISTRICT I

P.O. Box 1980, Hobbs, NM 88240

DISTRICT II

P.O. Drawer DD, Artesia, NM 88210

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

## OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

at Bottom of Page

REQUEST FOR ALLOWABLE AND AUTHORIZATION  
TO TRANSPORT OIL AND NATURAL GAS

Operator MERIDIAN OIL INC.		Well API No. 30-025-27573 ✓
Address P.O. Box 51810, Midland, TX 79710-1810		
Reason(s) for Filing (Check proper box)		
New Well <input checked="" type="checkbox"/>	Change in Transporter of: Oil <input type="checkbox"/> Dry Gas <input type="checkbox"/> Casinghead Gas <input type="checkbox"/> Condensate <input type="checkbox"/>	Other (Please explain) RE-ENTRY OF A P&A WELL. REQUEST A ONE TIME TEST ALLOWABLE TO MOVE 210 BBLs OIL PRODUCED WHILE SHABING WELL. NOW EVALUATING FOR POSSIBLE CONVERSION TO SALT WATER DISPOSAL WELL.
If change of operator give name and address of previous operator		

## II. DESCRIPTION OF WELL AND LEASE

Lease Name DAGGER LAKE "G" STATE	Well No. 8-2	Pool Name, including Formation DAGGER LAKE DELAWARE	Kind of Lease State, Federal or For	Lease No. NM-1248
Location Unit Letter G, 1980 Feet From The NORTH Line and 1980 Feet From The EAST Line Section 6 Township 22-S Range 33-E, NMPM, LEA County				

## III. DESIGNATION OF TRANSPORTER OF OIL AND NATURAL GAS

Name of Authorized Transporter of Oil PRIDE OPERATING COMPANY <input checked="" type="checkbox"/> or Condensate <input type="checkbox"/>	Address (Give address to which approved copy of this form is to be sent) BOX 2436, ABILENE, TEXAS 79604
Name of Authorized Transporter of Casinghead Gas NONE <input type="checkbox"/> or Dry Gas <input type="checkbox"/>	Address (Give address to which approved copy of this form is to be sent)
If well produces oil or liquids, give location of tanks.	Unit Sec. Twp. Rgn. Is gas actually connected? When?
G 6 22-S 33-E NO	WELL SI PENDING EVALUATION

If this production is commingled with that from any other lease or pool, give commingling order number.

## IV. COMPLETION DATA

Designate Type of Completion - (X)	Oil Well <input checked="" type="checkbox"/>	Gas Well <input type="checkbox"/>	New Well <input checked="" type="checkbox"/>	Workover <input type="checkbox"/>	Deepen <input type="checkbox"/>	Plug Back <input type="checkbox"/>	Same Rea'v <input type="checkbox"/>	Diff Rea'v <input type="checkbox"/>
Date Spudded 12-21-92	Date Compl. Ready to Prod. 12-22-92	Total Depth 15250	P.B.T.D. 5050' CIBP					
Elevations (DP, RKB, RT, GR, etc.) 3658.8' GR	Name of Producing Formation BELL CANYON (DELAWARE)	Top Oil/Gas Pay 4923'	Tubing Depth NONE IN HOLE					
Perforations 4923'-4943'		Depth Casing Shoe 12130'						
TUBING, CASING AND CEMENTING RECORD								
HOLE SIZE 28"	CASING & TUBING SIZE 16"	DEPTH SET 607'	SACKS CEMENT 1735 SXS - SURFACE					
14-3/4"	10-3/4"	4751'	3310 SXS - SURFACE					
9-1/2"	7-5/8"	12130'	895 SXS - SURFACE					

## V. TEST DATA AND REQUEST FOR ALLOWABLE

OIL WELL (Test must be after recovery of total volume of load oil and must be equal to or exceed top allowable for this depth or be for full 24 hours.)

Date First New Oil Run To Tank 1-3-93	Date of Test NO TEST RUN	Producing Method (Flow, pump, gas lift, etc.) PMP PULLED OUT OF HOLE. WELL SI
Length of Test	Tubing Pressure	Casing Pressure
Actual Prod. During Test	Oil - Bbls.	Water - Bbls.
		Gas - MCF

## GAS WELL

Actual Prod. Test - MCF/D	Length of Test	Bbls. Condensate/MMCF	Gravity of Condensate
Testing Method (plot, back pr.)	Tubing Pressure (Shut-in)	Casing Pressure (Shut-in)	Choke Size

## VI. OPERATOR CERTIFICATE OF COMPLIANCE

I hereby certify that the rules and regulations of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

Signature MARIA L. PEREZ  
 MARIA L. PEREZ PRODUCTION ASST.  
 Printed Name  
 3-17-93  
 Date  
 915-888-6906  
 Telephone No.

## OIL CONSERVATION DIVISION

Date Approved 11-22-93By ORIGINAL SIGNED BY JERRY SEXTON

Title \_\_\_\_\_

INSTRUCTIONS: This form is to be filed in compliance with Rule 1104



Submit to Appropriate

District Office

State Leases - 6 copies

Fee Leases - 5 copies

DISTRICT I

P.O. Box 1980, Hobbs, NM 88240

DISTRICT II

P.O. Drawer DD, Artesia, NM 88210

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-105

Revised 1-1-93

## OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

WELL API NO. 30-026-27573 ✓	
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEB <input type="checkbox"/>	
6. State Oil & Gas Lease No. NM-1243	
7. Lease Name or Unit Agreement Name DAGGER LAKE "6" STATE	
8. Well No. 2	
9. Pool name or Wildcat DAGGER LAKE DELAWARE	

## WELL COMPLETION OR RECOMPLETION REPORT AND LOG

1a. Type of Well: OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> DRY <input type="checkbox"/> OTHER <input type="checkbox"/>		1. Name of Operator MERIDIAN OIL INC.	
b. Type of Completion: NEW WELL <input type="checkbox"/> WORK OVER <input type="checkbox"/> DIVERT <input type="checkbox"/> PLUG BACK <input type="checkbox"/> DDP SERVICE <input type="checkbox"/> OTHER RE-ENTRY <input type="checkbox"/>		2. Address of Operator P.O. Box 51810, Midland, TX 79710-1810	
3. Well Location Unit Letter <u>G</u> : 1980 Feet From The <u>NORTH</u> Line and 1980 Feet From The <u>EAST</u> Line Section <u>6</u> Township <u>22-S</u> Range <u>33-E</u> NMMPM LEA County		4. Well No. 2	
10. Date Spudded 12-21-92	11. Date T.D. Reached 12-22-92	12. Date Compl. (Ready to Prod.) 12-22-92	13. Elevations (DFA & RKB, RT, GR, etc.) 3868.6' GR
14. Elev. Casinghead	15. Total Depth 15,250'		
16. Plug Back T.D. 5060' CBP	17. If Multiple Compl. How Many Zones?	18. Intervals Drilled By Rotary Tools 0-5050	Cable Tools
19. Producing Interval(s), of this completion - Top, Bottom, Name 4923' - 4943' BELL CANYON (DELAWARE)			20. Was Directional Survey Made NO
21. Type Electric and Other Logs Run NONE - RE-ENTRY OF A P&A WELL - LOGS RUN WHEN WELL WAS FIRST DRILLED			22. Was Well Corred NO

## CASING RECORD (Report all strings set in well)

CASINO SIZE	WEIGHT LB/FT.	DEPTH SET	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED
18"	.6.5#	807'	28"	1735 SXS	SURFACE
10-3/4"	51#	4715'	14-3/4"	3310 SXS	SURFACE
7-5/8"	33.7#	12130'	9-1/2"	895 SXS	SURFACE

24. LINER RECORD				25. TUBING RECORD		
SIZE	TOP	BOTTOM	SACKS CEMENT	SCREEN	SIZE	DEPTH SET
5"	11834'	15249'	870	TOC@11834'	NO TBG IN	HOLE

26. Perforation record (interval, size, and number) ORLD OUT CMT PLUGS TO 5050' CBP, PBTD 4923' - 4943' 2 SPF, 41 HOLES, BELL CANYON(DELAWARE)		27. ACID, SHOT, FRACTURE, CEMENT, SQUEEZE, ETC. DEPTH INTERVAL AMOUNT AND KIND MATERIAL USED NO ACID JOB DONE ON PERFS	
--	--	---	--

28. PRODUCTION Date First Production 1-2-93		Production Method (Flowing, gas lift, pumping - Size and type pump) PUMP PULLED OUT OF HOLE		Well Status (Prod. or Shut-in) SHUT IN	
Date of Test NOT TESTED	Hours Tested	Choke Size	Prod's For Test Period	Oil - Bbl	Gas - MCF
Flow Tubing Press.	Casing Pressure	Calculated 24-Hour Rate	Oil - Bbl	Gas - MCF	Water - Bbl
			Oil Gravity - API - (Corr.)		

29. Disposition of Gas (Sold, used for fuel, vented, etc.) WELL SI, PENDING EVALUATION FOR POSSIBLE USE AS A SALT WATER DISPOSAL WELL	Test Witnessed By
--	-------------------

30. Lin Attachments C-103, C-104
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31. I hereby certify that the information shown on both sides of this form is true and complete to the best of my knowledge and belief

Signature

Maria L. Perez

Printed Name

MARIA L. PEREZ

Title PROD. ASST.

Date 3-17-93



## INSTRUCTIONS

This form is to be filled out by the appropriate field office of the Department of the Interior, Bureau of Land Management, when the map is filed and any new data is added to it. It shall be accompanied by one copy of all reports of new data. The map is to be filed in the office of the Director of the Bureau of Land Management, Washington, D.C. All depths reported shall be measured depths, in feet, and shall be rounded off to the nearest foot. The map is to be filed in quadruple copies on one side of the sheet, where it is required. See page 1105.

## INDICATE FORMATION TOPS IN CONFORMANCE WITH GEOGRAPHICAL SECTION OF STATE

## Southeastern New Mexico

## Northwestern New Mexico

T. Anny <u>805</u>	T. Canyon	T. Ojo Alamo	T. Penn. "B"
T. Salt	T. Strawn <u>13,470</u>	T. Kirtland-Fruitland	T. Penn. "C"
B. Salt	T. Atoka <u>13,625</u>	T. Pictured Cliffs	T. Penn. "D"
T. Yates	T. Miss	T. Cliff House	T. Leadville
T. 7 Rivers	T. Devonian	T. Menefee	T. Madison
T. Queen	T. Silurian	T. Point Lookout	T. Elbert
T. Grayburg	T. Montoya	T. Mancos	T. McCracken
T. San Andres	T. Simpson	T. Gallup	T. Ignacio Ortiz
T. Glavito	T. McKee	Base Greenhorn	T. Granite
T. Paddock	T. Ellenburger	T. Dakota	T.
T. Dinabry	T. Gr. Wash	T. Morrison	T.
T. Tibi	T. Granite	T. Todillo	T.
T. Drinkard	T. Delaware Sand	T. Entrada	T.
T. Abc	T. Bone Springs <u>8740</u>	T. Wingate	T.
T. Wolfcamp <u>11,835</u>	T. 3rd Bone Springs <u>11,795</u>	T. Chinle	T.
T. Penn. <u>12,939</u>	T. Morrow <u>14,184</u>	T. Permian	T.
T. Cisco (Blough C)	T.	T. Penn. "A"	T.

## OIL OR GAS SANDS OR ZONES

No. 1, from _____ to _____	No. 4, from _____ to _____
No. 2, from _____ to _____	No. 5, from _____ to _____
No. 3, from _____ to _____	No. 6, from _____ to _____

## IMPORTANT WATER SANDS

Include data on rate of water inflow and elevation to which water rose in hole.

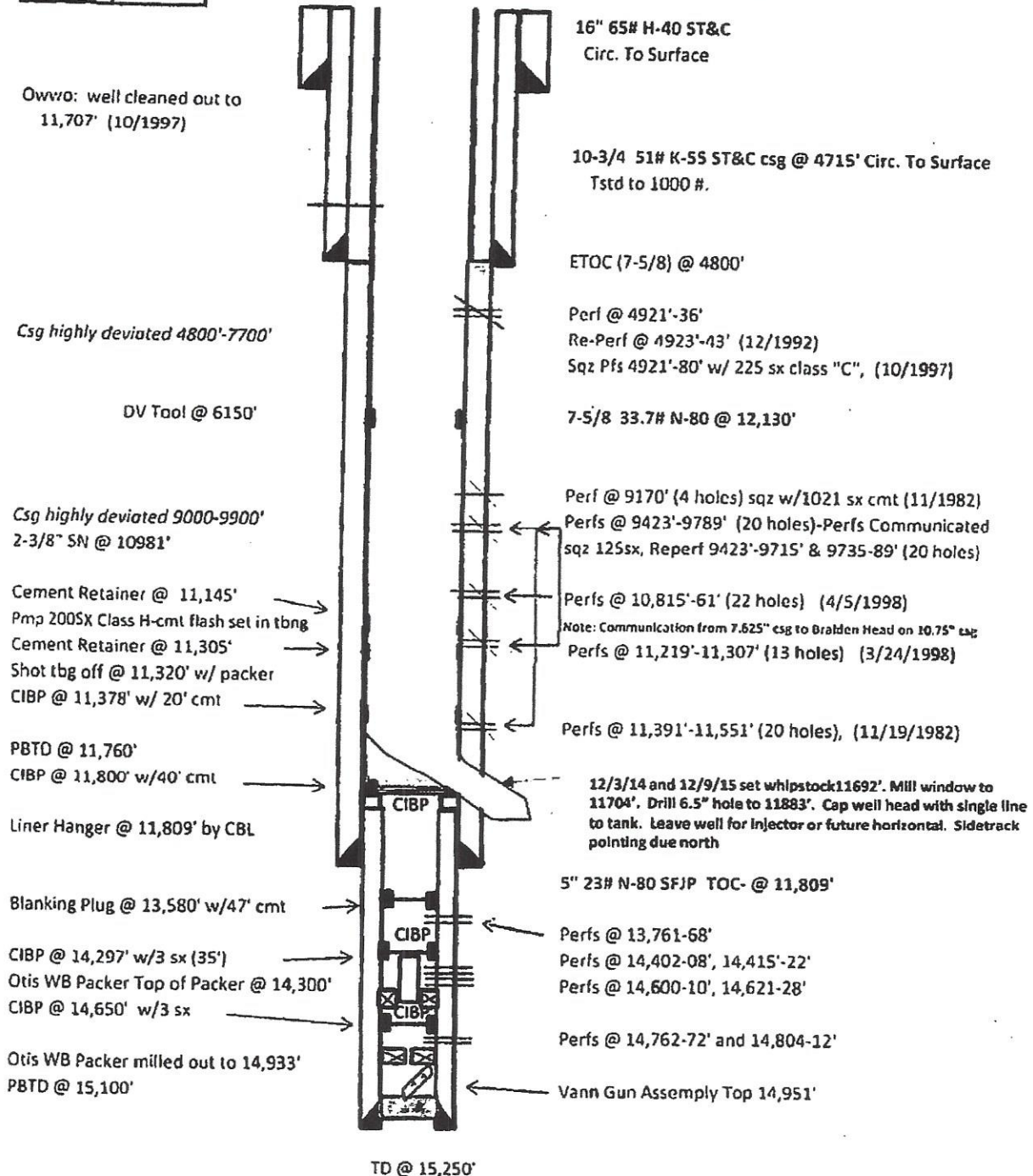
No. 1, from _____ to _____	feet
No. 2, from _____ to _____	feet
No. 3, from _____ to _____	feet
No. 4, from _____ to _____	feet

## FORMATION RECORD (Attach additional sheets if necessary)

From	To	Thickness in Feet	Formation	From	To	Thickness in Feet	Formation
Surf	805	805	Quat. Sand	13625	13906	281	Upper Atoka, sand & shale
805	950	145	Rustler Anhydrite	13906	14184	278	Lower Atoka, lime & shale
950	2932	1982	Salado, salt & anhydrite	14184	14507	323	Upper Morrow, sd, lime, shale
2932	4750	1818	Castile, anhydrite	14507	14948	441	Middle Morrow, sd, lime, shale
4750	8740	3990	Laramie, lime	14948	15250	302	Lower Morrow, sd, lime, shale
8740	11795	3055	Bone Springs, lime				TD
11795	11835	40	3rd Bone Springs, sand	15250			
11835	12939	1104	Wolfcamp, shale & lime				
12939	13470	539	Permian-Penn, shale				
13470	13625	155	Strawn, lime				

RECEIVED  
NOV 26 1982  
O.C.D. OFFICE  
HOBBS OFFICE

OPERATOR: Amtex Energy, Inc.	NAME OF LEASE: Dagger Lake "6" State	Date: 05/05/2010
API: 30-025-27573	Well: No. 2	By: T.M.
LOCATION: Unit G, 1980' FNL, 1980' FEL, Sec. 6, T-22-S, R-33-E, Lea County, New Mexico		
KB: 3680'	GL: 3659'	





**CONDITIONS OF APPROVAL  
FOR PLUGGING AND ABANDONMENT  
OCD - Southern District**

The following is a guide or checklist in preparation of a plugging program, this is not all inclusive and care must be exercised in establishing special plugging programs in unique and unusual cases, Notify NMOCD District Office I (Hobbs) at (575)-263-6633 at least 24 hours before beginning work. After MIRU rig will remain on well until it is plugged to surface. OCD is to be notified before rig down.

**Company representative will be on location during plugging procedures.**

1. A notice of intent to plug and abandon a wellbore is required to be approved before plugging operations are conducted. A cement evaluation tool is required in order to ensure isolation of producing formations, protection of water and correlative rights. A cement bond log or other accepted cement evaluation tool is to be provided to the division for evaluation if one has not been previously run or if the well did not have cement circulated to surface during the original casing cementing job or subsequent cementing jobs. Insure all bradenheads have been exposed, identified and valves are operational prior to rig up.
2. Closed loop system is to be used for entire plugging operation. Upon completion, contents of steel pits are to be hauled to a permitted disposal location.
3. Trucking companies being used to haul oilfield waste fluids to a disposal - commercial or private- shall have an approved NMOCD C-133 permit. A copy of this permit shall be available in each truck used to haul waste products. It is the responsibility of the operator as well as the contractor, to verify that this permit is in place prior to performing work. Drivers shall be able to produce a copy upon request of an NMOCD Field inspector.
4. Filing a subsequent C-103 will serve as notification that the well has been plugged.
5. A final C-103 shall be filed (and a site inspection by NMOCD Inspector to determine if the location is satisfactorily cleaned, all equipment, electric poles and trash has been removed to Meet NMOCD standards) before bonding can be released.
6. If work has not begun within 1 Year of the approval of this procedure, an extension request must be file stating the reason the well has not been plugged.
7. Squeeze pressures are not to exceed 500 psi, unless approval is given by NMOCD.
8. Produced water will not be used during any part of the plugging operation.
9. Mud laden fluids must be placed between all cement plugs mixed at 25 sacks per 100 bbls of water.
10. All cement plugs will be a minimum of 100' in length or a minimum of 25 sacks of cement, whichever is greater. 50' of calculated cement excess required for inside casing plugs and 100% calculated cement excess required on outside casing plugs.
11. Class 'C' cement will be used above 7500 feet.
12. Class 'H' cement will be used below 7500 feet.
13. A cement plug is required to be set 50' above and 50' below, casing stubs, DV tools, attempted casing cut offs, cement tops outside casing, salt sections and anywhere the casing is perforated, these plugs require a 4 hour WOC and then will be tagged
14. All Casing Shoes Will Be Perforated 50' below shoe depth and Attempted to be Squeezed, cement needs to be 50' above and 50' Below Casing Shoe inside the Production Casing.
16. When setting the top out cement plug in production, intermediate and surface casing, wellbores should remain full at least 30 minutes after plugs are set
17. A CIBP is to be set within 100' of production perforations, capped with 100' of cement, WOC 4 hours and tag.
18. A CIBP with 35' of cement may be used in lieu of the 100' plug if set with a bailer. This plug will be placed within 100' of the top perforation, (WOC 4 hrs and tag).

19. No more than 3000' is allowed between cement plugs in cased hole and 2000' in open hole.
20. Some of the Formations to be isolated with cement plugs are: These plugs to be set to isolate formation tops

- A) Fusselman
- B) Devonian
- C) Morrow
- D) Wolfcamp
- E) Bone Springs
- F) Delaware
- G) Any salt sections
- H) Abo
- I) Glorieta
- J) Yates.
- K) Potash---(In the R-111-P Area (Potash Mine Area),

A solid cement plug must be set across the salt section. Fluid used to mix the cement shall be saturated with the salts that are common to the section penetrated and in suitable proportions, not more than 3% calcium chloride (by weight of cement) will be considered the desired mixture whenever possible, woe 4 hours and tag, this plug will be SO' below the bottom and 50' above the top of the Formation.

21. If cement does not exist behind casing strings at recommended formation depths, the casing can be cut and pulled with plugs set at recommended depths. If casing is not pulled, perforations will be shot and cement squeezed behind casing, woe and tagged. These plugs will be set SO' below formation bottom to 50' above formation top inside the casing

#### **DRY HOLE MARKER REQ.UIRMENTS**

The operator shall mark the exact location of the plugged and abandoned well with a steel marker not less than four inches in diameter, 3' below ground level with a plate of at least 1/4" welded to the top of the casing and the dry hole marker welded on the plate with the following information welded on the dry hole marker:

1. Operator name
2. Lease and Well Number
3. API Number
4. Unit letter
5. Quarter Section (feet from the North, South, East or West)
6. Section, Township and Range
7. Plugging Date
8. County

#### **SPECIAL CASES ----AGRICULTURE OR PRARIE CHICKEN BREEDING AREAS**

In these areas, a below ground marker is required with all pertinent information mentioned above on a plate, set 3' below ground level, a picture of the plate will be supplied to NMOCD for record, the exact location of the marker (longitude and latitude by GPS) will be provided to NMOCD (We typically require a current survey to verify the GPS)

#### **SITE REMEDIATION DUE WITHIN ONE YEAR OF WELL PLUGGING COMPLETION**